

EUROPEAN NEWS DIGEST

EU agreement on aligning penalties

European Union ministers yesterday took a potentially far-reaching step by agreeing on the need to end the wide variations in their national penalties on people and companies breaking EU law, but not on how to do this.

At issue is the sensitive problem of how far the Union should intrude in telling its member states what fines and penalties they should impose on flouters of EU directives. The French presidency of the EU has called for action to standardise sanctions so that, as Mr Alain Lamassoure, France's EU affairs minister, said yesterday, "the conditions of equal competition in the EU are not compromised".

Some current EU laws carry widely differing penalties, particularly in the public procurement area, and in one glaring instance - the EU directive against money-laundering - infractions carry a 20-year jail sentence in Luxembourg and no penalty at all in some other EU states. David Buchan, Biarritz

Rates pressure on Bundesbank

The Bundesbank, the German central bank, is likely to come under further pressure to raise interest rates following the rise in the annual west German inflation rate for the first time since the beginning of last year. The final figure for the year-on-year rate in February was 2.4 per cent, up from 2.3 per cent the month before, the federal statistics office says.

The February increase was driven mainly by a rise in the price of seasonal fruits and vegetables and coffee. The cost of living for German households rose 0.4 per cent during February, the statistics office said.

In eastern Germany monthly inflation for February rose to 2 per cent, up from 1.8 per cent, mainly because of a increase in the cost of train tickets, Michael Lindemann, Bonn

German minister stood down

Ms Monika Grifahn, the well-known environment minister in the northern German state of Lower Saxony, was yesterday told by her premier to step down temporarily after being accused of trying to help her husband to win the contract to design the Expo 2000 world trade fair in Hanover.

Mr Gerhard Schröder, the Social Democrat state premier, has asked a former constitutional court judge to conduct an investigation. The situation is especially precarious for Mr Schröder, who has a one-seat majority in the state parliament.

Ms Grifahn, 40, who used to be a board member of Greenpeace, the environmental group, before becoming environment minister, admitted yesterday that her behaviour had been "politically foolish". She is especially well-known for her opposition to nuclear energy. Michael Lindemann, Bonn

Western victory for workers

The EU, backed by the US and other industrialised countries, has won an important victory on workers' rights at the UN social summit in Copenhagen.

The final draft of a resolution due to be signed over this weekend by government heads contains a firm and explicit commitment to the defence of universal labour standards. Developing countries had fought hard to prevent any mention of particular labour rights in the final communiqué, but appear to have backed down. India, China and Indonesia, in particular, regard the campaign for workers' rights in all countries as a cover for the introduction of protectionism to impede the manufactured exports of developing countries.

But the document which emerged yesterday, after more than three days of intense haggling, states that "the basic rights and interests of workers" in all countries must be safeguarded. Robert Taylor, Copenhagen

IMF chief backs \$6.5bn aid for Russia

By John Thornhill in Moscow

Mr Michel Camdessus, managing director of the International Monetary Fund, will strongly advise his board to release \$6.5bn (\$4bn) of financial assistance to back Russia's economic stabilisation programme.

The loan would constitute the biggest package of financial support yet offered to Russia and one of the most important assistance programmes ever launched by the IMF.

Mr Camdessus agreed a joint policy statement with President Boris Yeltsin in the Kremlin yesterday affirming Russia's commitment to taming

inflation and bringing the monthly rate down to 1 per cent by the end of the year.

Mr Camdessus said he had been impressed by Mr Yeltsin's "full determination, energy and leadership" to achieve this goal.

"On the basis of this commitment and a strong and credible programme I am ready to give it my vote of confidence - a word I do not use that frequently," Mr Camdessus said.

The IMF board will consider the loan and reach a decision by early April. But IMF officials suggest that Mr Camdessus's high-profile support makes it extremely unlikely that the

board would refuse the request, despite mounting criticism in the west over Russia's human rights violations in Chechnya.

Mr Camdessus rejected suggestions that the IMF money would in effect be used to bankroll Russia's assault on the breakaway region. Independent Russian economists have estimated the costs of the war at about \$5bn.

"I bluntly refuse this conception. The IMF is a technical institution which is there to serve its members in their efforts to stabilise their economies and put them on the path to sustainable prosperity," he said. "It is not the IMF's role to pass judgment

on the war in Chechnya."

Mr Victor Chernomyrdin, Russia's prime minister, reaffirmed the government's commitment to achieving the economic stabilisation which has eluded its grasp in the past two years. "The most important thing for Russia now is to achieve the lowest possible level of inflation by the end of the year," he said.

Economists are divided about the prospects for Russia's stabilisation programme. Some point to signs that its inflation rate - running at 11 per cent a month in February - is already beginning to decelerate and that industrial production is showing frag-

le signs of an upturn. But other economists argue the stabilisation plan is likely to run into the sands in the summer, as in previous years, when lobbying from the heavy industrial and agricultural lobbies for state subsidies grows intense.

But the IMF will consider extending a rouble stabilisation loan of as much as \$6bn this summer to reinforce the government's determination to refrain from issuing fresh credits. The IMF is also at the earliest stages of talks about a much larger extended loan facility for subsequent years. So far, the IMF has provided Russia with \$4bn of financial support.

Fish knives out in defence of Canada's turbot

By James Harding and Deborah Hargreaves

Turbot in the Northwest Atlantic may well feel under siege. But then so too do the fishermen.

For Newfoundland, which saw its unemployment rate soar over 20 per cent in the late 1980s when overfishing killed off the cod industry and 30,000 jobs with it, the attack on the Spanish fishing boat on Thursday night was a bare-knuckled defence of the local economy.

Analysis earlier this week from the United Nations Food and Agriculture Organisation suggests that more shots will be fired in anger in the future. The FAO found that 70 per cent of the world's fish stocks were at some stage of deterioration through overfishing, and this depletion had been coupled with a consistent rise in the number of fishing crews.

"The international community must now deal with the fundamental contradiction between the reality that ocean resources are finite and the prevailing impulse to exploit them as much as possible in the short term," warned Mr Jacques Diouf, FAO director general.

Attempts to protect resources prompted the first limit on turbot fishing around Canada last September. The Northwest Atlantic Fisheries Organisation, the regulatory body, decided on conservation grounds to restrict the total allowable catch for 1995 to 27,000 tonnes. All sides agreed.

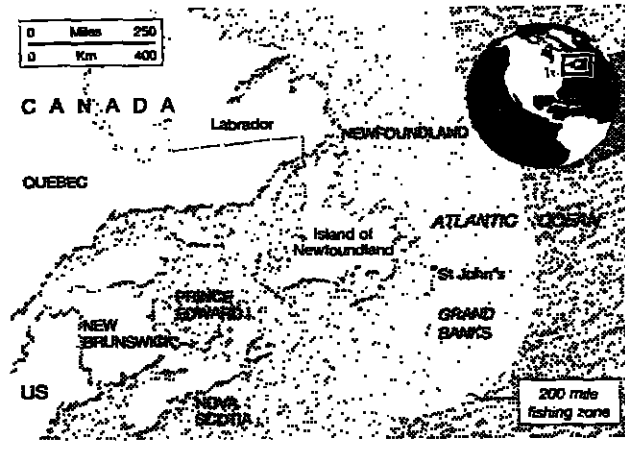
The consensus broke down on national quotas to fish in those limits. The EU claims "Canada forced a vote in the Nafo meeting" which left European fishermen allowed to catch only 3,400 tonnes of turbot compared with the average 37,000 a year they caught between 1991 and 1993.

On March 1, the Europeans rejected the agreement and set themselves a unilateral quota of 18,500 tonnes, in effect 70 per cent of the total allowable catch. The remnants of consensual diplomacy have since disappeared.

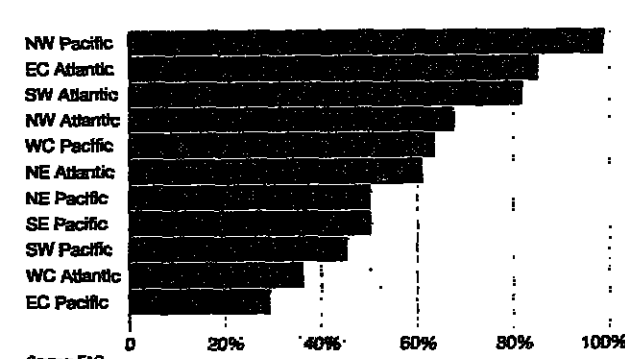
Mr Brian Tobin, Canadian fisheries minister, responded to the EU's unilateral action: "We will not allow the EU to devastate turbot the way it devastated American plaice, yellowtail flounder, witch flounder, redfish and cod species in the 1980s."

European officials blame Canada for the demise of northern cod and for the new row over turbot. Mr Jacques Sauter, EU president, invited the Canadian prime minister to send a delegation to Brussels for talks. "Canada refused this offer," EU officials said.

The attack on the Estal, the Spanish vessel fishing just outside Canadian waters, was the most vicious in a series of recent scuffles between Spanish and Portuguese boats, and the Canadian authorities. The exceptional decision to attack outside the 200-mile national fishing zone reflects Canadian fears that European fishermen are compensating for declining access to the main turbot grounds in Cana-



Stocks in danger, worldwide (by region, 1992)



Source: FAO

dian-patrolled waters by trawling on the fringes.

Over three-quarters of the turbot is within Canada's fishing zone, but as catches have fallen in the area from 30,000 tonnes in 1987 to just over 5,000 tonnes in 1993, they have risen on the edges from less than 2,000 to over 45,000 in the same period.

A UN conference which began in 1993 is still considering how to manage fish stocks on the High Seas - outside countries' 200-mile exclusion zones. The conference reconvenes on March 21 in New York for its fourth negotiating session on a binding treaty on cutting fishing.

"Overfishing is having dev-

astating effects worldwide, but countries are trying to benefit their own national interests," said Ms Alison Ross, fisheries campaigner at the environmental organisation Greenpeace.

She estimates that the world fleet is twice the size it should be for fishing at a sustainable rate.

The EU and Japan have resisted the idea of securing a binding fishing treaty at the forthcoming UN conference. "Many countries are just not prepared to take unpopular decisions on cutting back their fishing effort, but continue to pump in subsidies," said Mr David Douman, senior fisheries planning officer at the FAO.

Unilever offer on Irish ice cream

By Lionel Barber in Brussels and Robert Rice in London

The European Commission is close to winding up its case against Unilever for breach of competition rules in the sale of "impulse" ice cream in Ireland after undertakings by the Anglo-Dutch consumer group to open up the market.

Unilever's offer centres on changes to its distribution arrangements, including the introduction of non-discriminatory pricing schemes in all the 14 other European Union member states during 1995.

The Commission said yesterday that it welcomed Unilever's undertakings, which appeared on first view to meet the conditions required for granting an exemption from EU competition rules under

Article 85 (3) of the treaty of Rome.

Mr Karel Van Miert, EU competition policy commissioner, said the original distribution arrangements infringed competition rules. But the new undertakings would open up the impulse market in Ireland "to a considerable degree".

The case goes back to 1991 when Masterfoods Ireland, a subsidiary of the Mars group, and Valley Ice Cream complained about distribution arrangements relating to the sale of impulse ice cream - single wrapped items which are sold for immediate consumption.

The distributor was HB Ice Cream, a subsidiary of the Unilever group, now trading as Van den Bergh Foods operating in Ireland where Unilever

enjoyed a market share of 70 per cent in 1993. Unilever challenged the Commission's view of the legality of the original arrangements which fell into two parts.

First, Unilever provided freezer cabinets to retailers subject to an exclusive provision which allowed only Unilever products to be stored. Second, the cost of providing a cabinet was included in the price of ice cream itself, and this price was charged to all retailers, irrespective of whether they had a Unilever cabinet.

Unilever has now offered to introduce a differential pricing scheme immediately. This would provide a lump sum to retailers stocking Unilever ice cream but not taking a Unilever freezer, on condition that

the retailer achieves a minimum turnover of 12500 (£245). The lump sum is currently set at £75 a year.

The Commission's preliminary conclusion that Unilever's distribution practices for impulse ice creams in Ireland were anti-competitive was in direct contrast to the findings of the UK competition authorities which examined the issue in 1993.

Welcoming the Commission's announcement yesterday, Mars said the decision set an important precedent under EC competition rules which could be used throughout Europe.

Unilever claimed yesterday the Commission's decision to reject the proceedings against it was an endorsement of the practice of ice cream cabinet exclusivity.

'Open skies' pact snub for Kinnock

By Caroline Southey in Brussels

All six EU member states engaged in talks with the US on "open skies" transport agreements have formally rejected a request by the Commission to withdraw from negotiations, Mr Neil Kinnock, the new commissioner for transport, said yesterday.

Mr Kinnock said Belgium, Denmark, Luxembourg, Finland, Austria and Sweden had told him they would continue negotiating. "The attitude expressed is not unexpected. It is, however, regrettable on several grounds," he said.

In his first public statement since his intervention a week

ago, he repeated his threat to take member states to court if they finalised any deals and insisted he would continue to seek a mandate from member states to negotiate a bilateral EU/US air transport accord.

Mr Kinnock had given the six until yesterday to respond to his instruction not to negotiate, initial or sign bilateral open skies deals with the US. Belgium and Austria have already initialled deals. The others are expected to follow.

Mr Kinnock will put his case to transport ministers from member states in Brussels on Tuesday. He said he believed that details of the proposed US deal would persuade more member states that the Commission should be given competence to negotiate a bilateral deal. Member states have traditionally been reluctant to cede negotiating rights in this area.

He argued that liberalisation had to be combined with safeguards and harmonisation. "Without these, small European air carriers would be particularly vulnerable to aggressive and predatory market behaviour by US carriers."

It was to loosen the hold of foreign, especially British, banks on trade that Deutsche Bank was founded.

But as the bank started paying closer attention to the needs of industry, even Mr Siemens' fellow director, Mr Hermann Wallich, was sometimes horrified by his colleague's boldness. His deals were often based on shaky foundations and used up liquidity, wrote Mr Wallich. "But the public had no idea of our weak position, the risky operations turned out well and my colleague was hailed as a genius."

In the rapidly developing electrical sector the bank was heavily involved with both AEG (now part of the Daimler-Benz group) and Siemens.

The bank still has a 24 per cent stake in Daimler-Benz, which has expanded into aerospace and electronics. Although the investment has since paid off handsomely, others such as Metallgesellschaft and Klockner-Humboldt-Deutz, the engineering group, have recently required costly rescues. Some of Mr Wallich's early scepticism was clearly justified.

Power brokers of modern Germany

At the age of 125 Deutsche Bank is opening up about its history, writes Andrew Fisher

Coming to terms with the past can be painful as well as enlightening. Throughout its history Deutsche Bank has been dogged by the issue of its economic power, both when it has prospered and when it has struggled. Now, as a 1,000-page book detailing the vicissitudes of its past is published, the subject is topical again.

Writing in the first chapter of the book, published to coincide with yesterday's commemorations of the bank's 125th anniversary, Mr Lothar Gall, the German historian, says the "power" of the German banks has frequently been the subject of criticism. Through their economic and financial strength, manifested particularly by their share stakes and network of supervisory board seats throughout industry, Deutsche Bank and the other big German banks have played a role in both the successes and failures of modern Germany.

To confront the sometimes delicate matter of the bank's past, including its activities during the Nazi era, Deutsche Bank took the unusually bold step of commissioning the anniversary book from five independent historians.

The result makes it clear that much of today's debate about the influence of German banks - fuelled by recent corporate crises such as the near collapse of the Metallgesellschaft metals group, in which Deutsche is a shareholder and creditor - has its roots in earlier suspicions.

As the commissioning of the book shows, banks are far more open these days. But even now, writes Mr Gerald Feldman, the US historian who co-ordinated the project, "the banking business remains highly opaque and mysterious for many. The lending and borrowing of money was always seen as slightly disreputable."

Resentment against banks reached its height under the Nazis, who despised them as parasitic. Hitler reassured the Nazi party's demand for a "breaking of the thrall of interest" represented by the banks. Mr Harold James, the UK historian, describes how the bank had to bow to the regime. By taking part in Aryanisation - the dispossession of Jewish property - Mr James says, "The bank bore a heavy moral guilt."

One director was more prophetic than most. Mr Georg

Solmsen, son of a practising Jew, was chairman when he wrote in 1933 that Nazi policies and their acceptance would cause "the economic and moral destruction of all members of the Jewish race living in Germany".

Mr James says bankers (with Dresdner Bank far closer to the Nazis) came to terms with their lack of influence under the Nazis and mostly kept quiet. "The result was that bankers also contributed to the moral decline of Germany."

Fortunately they were able to help rebuild it. It took 12 years for Deutsche Bank to re-emerge in the post-war era. The allies split it into 10 regional banks and it was reunited only in 1967. Today, it has assets of nearly DM600bn (£257bn) and 55,000 employees in Germany.

Having reassured its prominent position in the German economy - Dresdner Bank is two years younger, while Commerzbank is also 125 this year - Deutsche Bank is again a target for critics. One reason is the large stakes banks hold in industry. The banks say that these are they in relation to the total economy and that they

would like to reduce some of the most prominent stakes, if capital gains tax permitted, and spread their investments around more.

Deutsche Bank's close links with industry go back to its early years, when it began financing and investing in German corporations. Mr Georg Siemens, one of its first directors, was related to the family which had helped found the Siemens & Halske (later Siemens) electrical company.

The hard-driving Mr Siemens quickly led Deutsche Bank to build up its connections with industry through loans, share purchases and stock issues. It lent money to Krupp steel, brought Bayer chemicals to the stock market, took a stake in Badische Anilin & Soda-Fabrik (later BASF), helped finance Mannesmann's steel tube process and worked closely with Thyssen steel.

In those days, says Mr Gall, the German banks took on "extraordinary risks", investing heavily in companies' futures. The committed way in which they participated in industrial development was in sharp contrast to the situation in Britain and France. Foreign banks lent money for trade but

largely kept away from big industrial loans.

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Middle East peace talks 'revitalised'

By Julian Ozanne in Jerusalem

Mr Warren Christopher, US secretary of state, said yesterday there was a "new burst of energy" in the Middle East peace process.

His remarks come after a flurry of intensive US-Arab-Israeli diplomacy and reflect fresh optimism about progress in Israeli-Palestinian and Israeli-Syrian peace talks after months of stagnation and delays.

"There's a new burst of energy, there's a sense of revitalisation all across the peace process, and I'll be doing all I can to assist in that," he said after meeting Mr Shimon Peres, Israel's foreign minister.

Mr Christopher's optimism is the product of a new attitude from Israel's Labour-led government that it must do everything possible to push the peace process forward in the next nine months, ahead of next year's election cycle and amid growing concern that the Labour party could lose the polls.

On Thursday, an hour before Mr Christopher arrived in Israel, Mr Peres announced he had agreed with Mr Yasser Arafat, leader of the Palestinian Liberation Organisation, to set a target date of July 1 for the completion of negotiations on extending Palestinian self-rule to the Israeli occupied West Bank.

Later, in a meeting with Mr Yitzhak Rabin, Israeli prime minister, Mr Christopher was told that Israel is determined to reach a peace agreement with Syria over withdrawal

from the occupied Golan Heights and is capable of winning a domestic referendum on a deal with Syria.

Mr Rabin asked Mr Christopher to take a message to Mr Hafez al-Assad, the Syrian president, saying Israel was ready and able to strike a peace deal and wanted a renewal of talks in Washington between the Israeli and Syrian chiefs of staff as soon as possible.

Mr Rabin also told Mr Christopher he had lifted a month-long naval blockade of Lebanon. After the meeting, Mr Rabin flew to Jordan to brief King Hussein. "These are days of intensified diplomatic activity," Mr Rabin said on his return.

The Palestinian self-rule agreement, however, remains a difficult obstacle. Israeli officials say the recent decision by Mr Peres and Mr Rabin to push forward with the next phase of the process - redeployment of Israeli troops out of West Bank Palestinian population centres ahead of Palestinian elections - reflects an assessment that Syria will not strike a deal as long as the Palestinian agreement is stillborn.

Palestinian leaders, however, do not share the optimism of Mr Christopher and Israel. Mr Arafat said yesterday the PLO and Israel were still a long way from agreeing details of redeployment and elections. Other PLO officials remained deeply sceptical about whether Israel, which has traditionally said no dates were sacred in the peace process, would honour its commitment to the July 1 deadline.

Nigerian rulers left in disarray by coup plot

By Paul Adams in Lagos

Nigeria's military regime appeared to be in disarray yesterday after it confirmed reports, which it had earlier denied, of a coup plot in the armed forces prompting the detention of a leading politician.

The arrest of Mr Shehu Yar'Adua and the delay in confirming the rumours, which have been rife for about 10 days, suggest deep divisions within the army constituency of General Sani Abacha, head of state, and follow several months in which the regime has lacked any clear policies.

Gen Abacha has cancelled plans to attend the United Nations social summit in Copenhagen this weekend, which would have been his first trip to Europe since he seized power nearly 18 months ago.

The general has played an integral part in the three coups in Nigeria which have kept the military in power for more than a decade. Since he became head of state in November 1993 he has twice purged the forces of senior officers considered disloyal.

Nigeria's chief of defence staff said in Lagos yesterday that the government had foiled a plot to overthrow the regime by military officers whom he described as "over-ambitious". He confirmed that arrests early last week were connected with the plot to stage a coup on March 1, the start of the end-of-Ramadan Moslem festival.

He said there had been 29 arrests so far, nearly all of them military officers up to the rank of colonel. He refused to give names until the investigation by military intelligence was completed, but later confirmed that Mr Yar'Adua was being held in connection with the coup plot.

A retired general, Mr Yar'Adua was the number two in the military regime which handed over to civilian rule in 1979. He was the leading candidate for the presidential polls due in 1993 until former President Ibrahim Babangida disqualified him and postponed the elections. Last April he was arrested briefly for telling the regime to quit office soon.

Mr Yar'Adua was the prime mover behind last December's resolution by the state-sponsored constitutional conference that the regime should leave office on January 1, 1998. Mr Yar'Adua is the only Nigerian politician with a nationwide network of supporters and is best placed to run for the presidency when the ban on party politics is eventually lifted.

Gen Abacha has made the constitutional conference the centre-piece of his political programme which he says will lead to a swift handover to democratic rule.

Yet the conference is several months behind schedule, there is neither an exit date for the regime nor a start date for lifting the ban on political parties, and it has not given a timetable for the promised handover.

Algerians try to stay cool in the quartiers chauds

Roula Khalaf reports from Algiers where constant fear pervades everyday life

In Bab El Oued, a "quartier chaud" or hot neighbourhood, as popular Islamist areas are called in Algeria, life seems to go on as usual.

But this is a country where more than 30,000 people have died since armed conflict between Islamist groups and security forces erupted in 1992, when the army-backed government cancelled elections the Islamists were expected to win.

Algerian women now gather to hold mock trials of Islamist leaders while officials show journalists grisly photographs of beheaded men and women, their faces mutilated, their bodies sliced in half. It is a country where foreigners are hunted like animals and those who remain live like prisoners in their own homes.

If the security forces are not visible, it is because they have become part and parcel of the civilian population, to the point where no one knows if the man brandishing a machine gun at a checkpoint is an Islamist extremist or a security officer.

"I go out. I drive around, I act as if nothing is wrong but at the same time I know that

at any moment something terrible can happen to me," says Malika, a 33-year-old Algerian who moved to France a few months ago but last week decided to come back.

Algerians caught in the middle of the conflict are learning to cope with this absurdity. Their first weapon of defence is psychological. So disgusted are they, and so ashamed of the horror perpetrated by their countrymen, that they seem to treat the "violence" as if it were an alien force which has taken on a life of its own and has no links to their society, or to their history. "This war does not concern us," says Jamal, 34, an Algiers restaurant owner. "We are not identified in the conflict."

Because of the random nature of the violence, which targets everyone, but especially intellectuals and professionals, condemned by Islamist extremist groups, coping with everyday life has forced some to arm themselves, others to change their routines daily, move out of their homes and, for those without hope, plan a life outside their country.

Hamid, a journalist who has been condemned to death by Islamist extremists, now sleeps with a machine gun under his bed and never leaves at the same time in the morning. Last year, on the eve of the Moslem holy month of Ramadan, Hamid was driving from his parents' house outside Algiers when a police patrol mistook him for an Islamist guerrilla and shot him in the stomach. "I have not been to see my parents in five months," he



Bombed out: the scene after yesterday's attack on Algiers police quarters. Nearly 100 were hurt

which touches the life of every Algerian is the subject of animated debate. Mohammed lays the country's ills squarely at the doors of the government which cancelled the 1992 elections, but his friend Nadir, 34, a print shop owner, who now shuttles between Algiers and Casablanca where his French wife has taken refuge, blames the Islamist movement instead. "We are what is called the third force in Algeria and we argue but we stay friends," says Mohammed. "We try not to be divided because we all want democracy."

Nasreddine, 34, who works for his family's jewellery business, is tired of waiting for democracy and of the government's promises to reduce the violence to "tolerable" levels. Sales at his three stores have sunk to the point where he is planning a new life in Paris.

"Life has become excessively expensive and people who have money and can afford to buy gold are no longer living here," he says.

These Algerians admit the madness could go on for years to come. But clinging to a fiercely nationalistic pride born out of the memory of a million lives lost during their war of liberation from France, they refuse to despair. Whether they denounce the Islamists, the army or both, their last words are often "on s'en sortira," we will make it.

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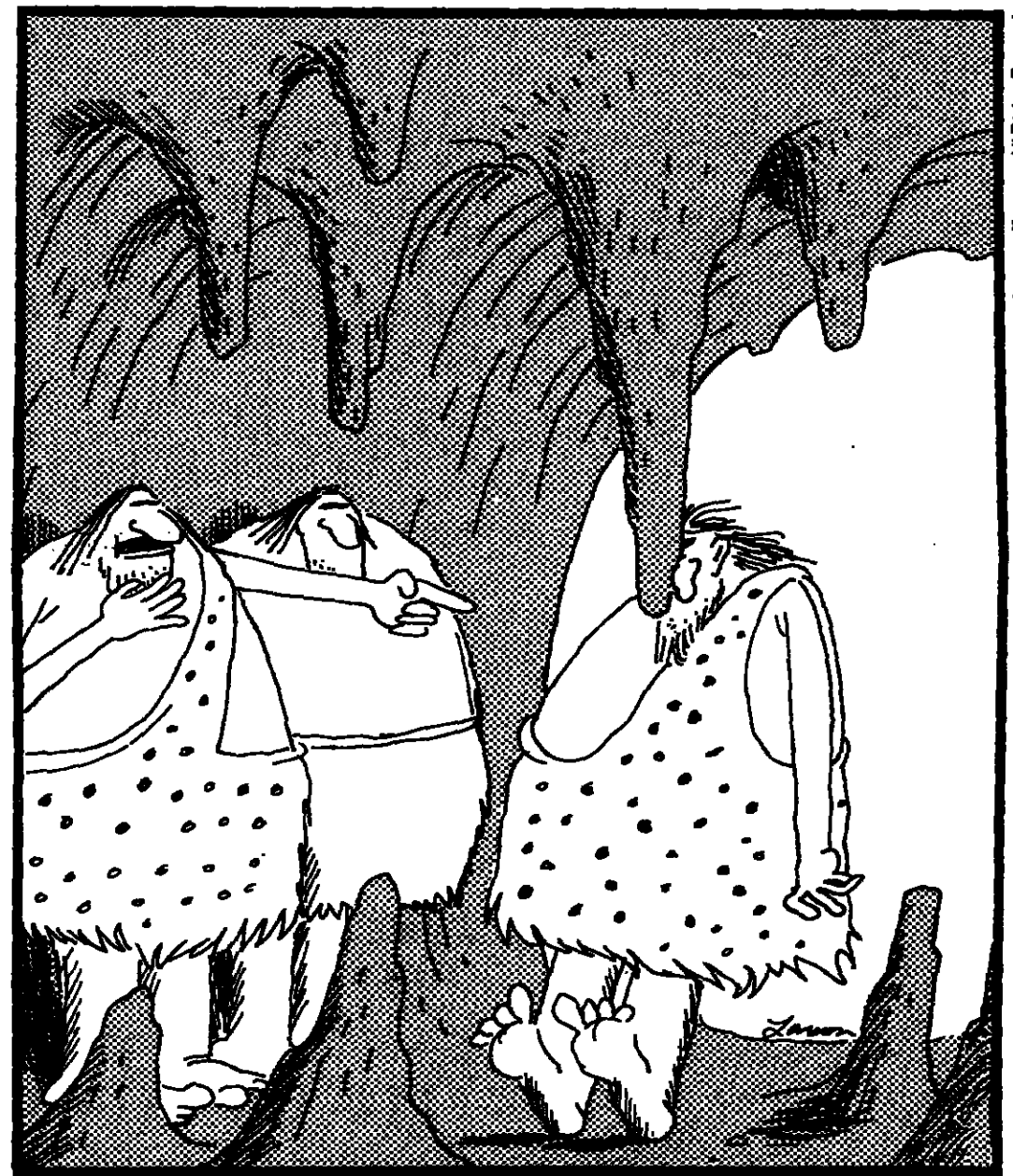
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NEWS: INTERNATIONAL

Fall in US jobless spurs rates rethink

By Michael Prowse
in Washington

A sharp drop in the US jobless rate last month provoked a debate yesterday about the future direction of US short-term interest rates.

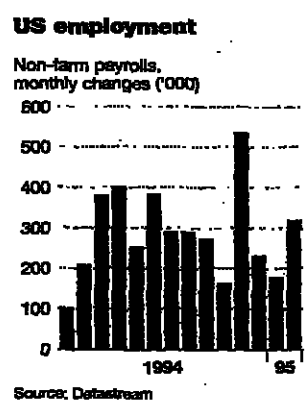
The Labour Department said the jobless rate fell to 5.4 per cent, against 5.7 per cent in January, while non-farm payroll employment increased by a robust 318,000, in line with monthly increases last year when the economy was surging ahead. January data was revised to show a net increase in jobs of 176,000, rather than 134,000 previously reported.

However, bond and equity markets seized on subsidiary data about average earnings and hours worked which traders assumed would make it less likely that the Federal Reserve would raise rates.

After weak jobs data in January, many economists assumed US economic growth was decelerating rapidly, eliminating the need for further increases in short-term rates, currently 6 per cent. That sentiment helped pushed the dollar down on foreign exchange markets.

The consensus view was that the jobless rate would fall only marginally last month to 5.6 per cent and that payroll employment would increase by only about 240,000.

Yesterday's strong figures suggest the economy retains considerable momentum, and some economists believe the Fed will put renewed pressure on the Federal Reserve to head off inflationary pressures by tightening monetary policy again. In Congressional testimony this week, Mr Alan Greenspan, the Fed chairman, gave a broad hint that rates might be raised again, in part because of the "troublesome" weakness of the dollar.



Source: Datastream

Analysts were divided over whether the Federal Reserve would raise rates later this month or at its next policy meeting in May, though the decision will be influenced by economic data due next week.

If figures for retail sales and industrial production are relatively strong and if data on consumer and producer prices show signs of emerging inflationary pressures, the Fed will be tempted to move sooner rather than later.

Mr John Lipsky, chief economist at Salomon Brothers in New York said financial markets had "an exaggerated view of the US economic slow down".

The economy was expanding less rapidly than at the end of 1994 but it was still likely to grow at an annual rate of 3.5 per cent in the first quarter, Mr Lipsky said.

The Fed needed to tighten policy because there were "clear signs of accelerating price pressures in intermediate goods", he added.

The bulk of job gains last month were in services. Employment in manufacturing rose by 27,000, following average gains of more than 40,000 in the previous four months.

Economic strength spurs end of finrand

New-found political stability and a strong economy explain the decision to scrap the financial rand, says Mark Suzman

The South African government's decision to scrap the financial rand is a sign of economic confidence. After years of gazing wistfully at the large sums pouring into other emerging markets while having to use complex exchange controls to try to prevent its own economy from hemorrhaging capital, financial officials are optimistic the country is capable of successfully competing for international investment.

The key to this new-found self-belief has been the combination of unprecedented political stability brought about by last year's democratic elections and the surprisingly conservative economic policy followed by the African National Congress-led government of national unity.

The economic effects, which started to be felt in the second half of last year, have already

been gratifying. After falling slightly in the second quarter, economic growth rebounded strongly to reach 6.4 per cent by the fourth quarter. At the same time, a net capital outflow of R3.6bn (\$210m) in the first half of 1994 (which followed the departure of a net R15bn over the previous two years) was transformed into a net capital inflow of R8.8bn over the second half, giving South Africa its first annual net capital inflow since 1984.

After a nominal depreciation of 13.1 per cent in the value of the commercial rand between December 1993 and July 1994 the currency actually appreciated by 4 per cent over the next five months, with the Reserve Bank having to intervene to prevent it from rising too rapidly – a situation that has only reversed recently with the fall of the dollar, which the rand traditionally

tracks fairly closely.

Similarly, net foreign reserves, while still low by international standards, climbed from close to zero in early 1995 to over R12.5bn now. In addition, Mr Chris Stals, Reserve Bank Governor, has said that he has access to credit lines worth another R15bn, of which R13bn remains unutilised, giving him the firepower to meet any big speculative capital withdrawals that might take place.

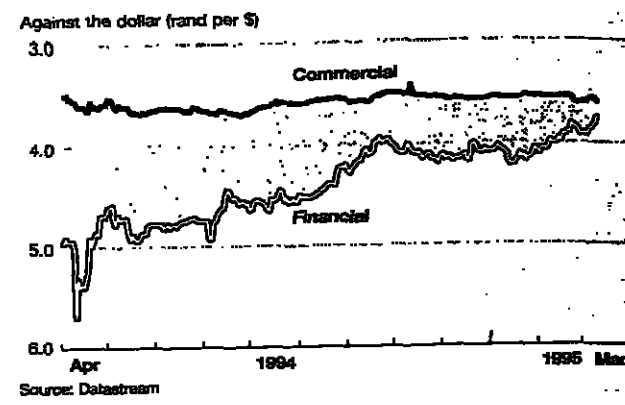
In the light of this, and with the reason d'être of the financial rand the protection of South Africa's foreign reserves against massive withdrawals, the two-tier currency has increasingly been seen by the domestic financial community as an archaic device belonging to a different political and economic era – a point of view that the government has now accepted.

More important, given the fact that strong, investment-driven import growth over the course of 1994 led to South Africa's current account recording a deficit for the first time in over a decade, the country now needs access to sustained inflows of longer-term international investment.

In the short term, meanwhile, the Reserve Bank will be hoping that the country's relatively high real interest rates – the benchmark Bank Rate was raised last month to 14 per cent and the finrand's demise has already been largely discounted in the gilts market, where long bonds have been giving yields of around 17 per cent since last September – will continue to represent a very attractive rate of return for global fund managers.

Financial authorities expect any short-term capital outflows will be more than offset in the

South African rand
Against the dollar (rand per \$)



medium term by new foreign inflows as the stability offered by a unified currency, combined with the attractions of a growing economy, should prove far more of an incentive to investment than the old finrand discount.

Ultimately, however, the success of the scrapping of the finrand, and the potential demise of remaining exchange control

regulations, will stand or fall by the government's other fiscal and monetary policies.

If the ANC-led administration can present a sensible budget next week and continue its successful restructuring of the economy, the increasing international confidence those policies engender will reap the dividends of growing international investment.

Next step may be to allow residents to invest abroad

By Mark Suzman
in Johannesburg

The scrapping of the financial rand may be the most important part of dismantling South Africa's complex exchange control regime, but it is only the first move, albeit a central one, towards establishing a fully open currency market.

Some economists had been hoping for a "big bang" approach – the ending of all exchange controls in one fell swoop along the lines of the United Kingdom in 1979 and New Zealand in 1984 – but the government has been wary that South Africa's unique political circumstances called for a gradualist approach.

The next big step is the

relaxing of controls on South Africans taking money out of the country. This will probably have two parts.

The first move is allowing residents to invest abroad, an event that South African companies and institutions are eyeing with keen anticipation. Given their long isolation from international markets, the goal of portfolio diversifi-

cation on its own will probably lead to top institutions sending between 15 per cent of their assets overseas – a sum estimated at between \$15bn (\$1.1bn) and \$20bn.

Big local companies too will want to shift assets abroad or make new acquisitions while others, which have been forced to pay premiums in offshore borrowings because of their

inability to secure them against South African assets, will almost certainly want to refinance using local cash and securities.

Only when these moves have taken place and the economy has adjusted will the Reserve Bank lift its last restrictions and allow the release of so-called "blocked funds". This is the money, estimated at

around R5bn (\$800m), belonging to emigrants, who have historically been denied permission to take their assets out of the country when they departed.

But when and if these controls go depends in large part on how quickly the currency markets stabilise and whether much foreign investment is forthcoming.

Argentina nears deal on \$2bn IMF loan

By David Pilling
in Buenos Aires

Argentina will "very soon" reach agreement with the International Monetary Fund for a loan of \$2bn (\$1.2bn) to help avoid a crisis in the ailing banking sector, according to Mr Domingo Cavallo, the economy minister.

Mr Cavallo is expected this weekend to prepare a fresh set of revenue-raising measures, believed to be a prerequisite to IMF assistance, following the implementation of a \$3.3bn austerity package last week.

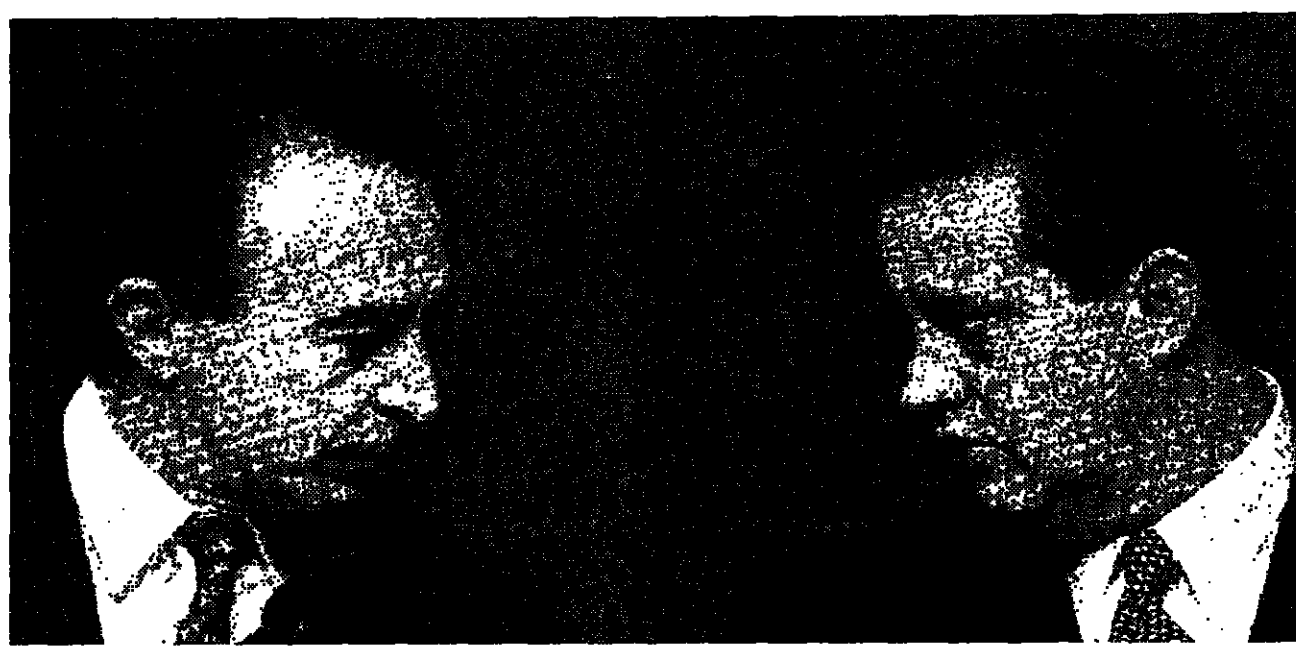
The \$2bn IMF loan, which would be a one-year facility, may be part of a \$5bn bank-rescue package being assembled. It would follow the disbursement of \$420m in IMF loans agreed last weekend.

The facility will be used as loans of last resort for struggling banks. Argentina's currency was noticeably shorter programme that will cut family incomes by 25 per cent in order to halt the country's slide towards hyperinflation.

President Ernesto Zedillo, who took office three months ago promising prosperity, a stable currency and "well-being for your family", has now the unenviable task of implementing an economic shock programme that will cut family incomes by 25 per cent in order to halt the country's slide towards hyperinflation.

"I believed him. I was a fool to vote for him," says Mr Norberto Zapata, the owner of a delicatessen he opened four years ago when the peso was strong and imported goods were cheap and plentiful. "I have already lost half of my customers and demand will continue to fall."

He doubts the emergency measures announced by finance minister Mr Guillermo Ortiz on Thursday night will succeed in stabilising Mexico's battered currency or control inflation, which the govern-



Bearing bad tidings: Guillermo Ortiz, finance minister (left), and Santiago Onate, labour minister, announce the economic plan

Anger on the streets as Mexico swallows the economic medicine

Leslie Crawford on the response to Zedillo's shock programme

Mexicans awoke in a grim mood yesterday after being told by their government they faced a prolonged recession, high inflation and a dramatic fall in real wages to overcome an economic crisis whose origins are still not fully understood.

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He doubts the emergency measures announced by finance minister Mr Guillermo Ortiz on Thursday night will succeed in stabilising Mexico's battered currency or control inflation, which the govern-

ment believes can be contained to 42 per cent this year – six times higher than in 1994.

"The rich will continue to take their dollars out of the country. We Mexicans are like that," the shopkeeper said.

Even the shoe-shine men that line the city's pavements have felt the pinch of inflation. They have raised their prices to counter a marked decline in customers.

The queues at petrol stations in this congested, overcrowded city were noticeably shorter yesterday after petrol prices were raised by 35 per cent at midnight. A litre now costs 1.87 pesos (19 pence), and the price rise has been greeted with disbelief in a country that is the world's third-largest oil producer.

As he parted with a bigger bundle of pesos for filling his car, Mr Ruperto Zuniga, a university lecturer, could not hide his anger. "The government has not yet shown it is capable of taking long-term decisions for the good of the country. These measures have been taken merely to please foreign creditors," he said.

There is widespread anger at what Mexicans see as the failure of the liberal economic model adopted following the 1982 debt crisis. After 13 years in which growth was sacrificed to implement economic reforms, it appears as if Mexico is again at the mercy of its foreign masters.

In Monterrey, the country's industrial heartland, small businessmen stormed the governor's palace this week to demand tax breaks and the rescheduling of debts, the cost of which has skyrocketed since the government tripled interest rates in an attempt to stifle inflation. Their wives staged a 48-hour hunger strike outside the central bank in Mexico City to protest against their sudden impoverishment since the peso was devalued in December.

"Middle-class protests will grow," predicts Ms Lilliana Flores, an economist who leads a "Can't pay, won't pay" movement known as El Barzon. "We are all indebted to the banks – we have mortgages, car loans, credit card debts, and we stand to lose everything we own."

There were sombre faces at the conference called by Mr

Ortiz to announce the new austerity programme. Businessmen gasped when the finance minister announced value added tax would be increased from 10 to 15 per cent, and groaned when he predicted the economy would contract by 2 per cent this year. Labour representatives sat stony-faced as Mr Ortiz said the minimum wage would only be increased by 10 per cent in April.

In the present climate, however, the fear of unemployment is likely to dampen demands for greater wage increases. There was no applause at the end of Mr Ortiz' speech. Finance officials say they had no option but to embrace an economic shock programme.

The alternative, they believe, would be hyperinflation leading to a default on Mexico's foreign debt obligations. The peso strengthened on Friday to 6.225 against the dollar, against the all-time low of 7.45 at Thursday's close, and the Mexican stock exchange had staged a 2.42 per cent rally by midday as traders took some comfort in the government's firm measures following weeks of uncertainty.

INTERNATIONAL NEWS DIGEST

Japan feeler to North Korea

Japan's ruling coalition plans to send a mission to North Korea, signalling the possibility of rapprochement with Pyongyang. The mission, next month, would be led by Mr Michio Watanabe, former foreign minister and a member of the Liberal Democratic Party, the dominant coalition partner. Mr Watanabe aims to set the right climate for reopening talks, broken off three years ago, on the resumption of diplomatic relations, said Mr Yoshio Mori, LDP secretary general.

The delegation is wealthy enough to attract the likely backing of the Tokyo Foreign Ministry, said a senior diplomat. Until now, the ministry has kept aloof from the series of North Korean contacts by academics and politicians, acting individually. William Dawkins, Tokyo

Zimbabwe aid is approved

The World Bank yesterday ratified external finance disbursements for Zimbabwe of \$792m for 1995 at a consultative meeting in Paris, up from \$588m last year. Delegates pledged \$175m in new finance on top of \$607m which had already been committed. About 28 per cent of the aid will be in the form of quick-dispensing balance of payments support, with the remainder as project aid. Some \$57m will be in the form of loans and \$235m as grants. The meeting praised Zimbabwe's government for continuing to implement a structural adjustment programme and taking steps to reduce its deficit, but stressed the need for additional efforts to reduce poverty. Andrew Jack, Paris

Australia plans smaller deficit

Australia's federal government said yesterday that it would be taking the "starting point" for the 1996/97 budget deficit as 1.5 per cent of gross domestic product, when it came to compute detailed budget proposals for the next financial year. This is an improvement on the calculation put forward in the May budget last year, when the estimated deficit for 1995/96 was put at about 2 per cent of GDP. However, many economists still expect the government to improve further on the 1.5 per cent figure, as it draws up detailed budget proposals over the next two months. Nikki Tait in Sydney

Karachi mosque attack kills 14

At least 14 people were killed and 25 injured yesterday in Pakistan's southern port city of Karachi when a bomb hidden in a motor-cycle exploded outside a Shia Muslim mosque and gunmen opened fire afterwards. The gunmen escaped. Up to four people were killed in two separate attacks elsewhere in the city. Almost 1,000 people have been killed in Karachi's ethnic violence over the past year. Farhan Bokhari, Karachi

Cholera hits Japanese tourists

The Japanese government has issued travel warnings following a series of cholera cases among Japanese tourists returning from the Indonesian island resort of Bali. Japan said 200 tourists had cholera or had the symptoms the Indonesians say there have been no reports of locals or other tourists with the disease. Bali has become a favourite holiday resort for the Japanese over the past few years, and the number of tourists has climbed to an annual 500,000 from 90,000 10 years ago. Emiko Terazono, Tokyo

Shanghai residents stage protest

Hundreds of protesters blocked Shanghai's "Golden Mile" shopping road for the second night running yesterday in an unprecedented protest against the demolition of old city neighbourhoods. Middle-class residents of Huai Hai Road, home to fashionable boutiques selling Nikon cameras and Gucci bags, virtually sealed off an entire city block in a standoff with police. Residents said they were told by housing officials to leave their apartments by June to make way for commercial development. Resentment has been simmering for years as whole neighbourhoods are flattened to make way for shops, hotels and offices. Reuter, Shanghai

Central bank measures aimed at stemming capital outflows help calm markets

Brazil forced to raise interest rates

By Angus Foster in São Paulo

Brazil was yesterday forced to raise interest rates and alter the Real's trading bands, only four days after they were fixed, following sustained selling of the currency on Thursday.

The central bank also announced a package of measures to stem an outflow of foreign reserves and attract international investors back to Brazilian markets. Mr Persio Arida, central bank president, said the moves were designed to "tear out speculation by the roots".

The measures, although announced in an atmosphere of

near panic, calmed the currency and stock markets, where the Real stabilised and the main Bovespa index rose 18.5 per cent by late afternoon.

The index had fallen 28 per cent since Monday, when the trading bands were set and the Real was devalued about 5 per cent. The currency was overvalued against the dollar and the government wanted a weaker Real to help its trade and current account balances.

The central bank changed the trading band for the Real, which had been set between 98 and 90 centavos to the dollar, to 88 to 93. The change followed a frantic day of trading

on Thursday, when the bank intervened 32 times to support the Real.

The other measures, especially an increase in overnight interest rates to 8 per cent a month, heightened demand for the Real and it was trading close to its upper limit of 88 centavos by early afternoon.

The bank said the new band was valid for an "undetermined time" and Monday's announcement, which suggested a second devaluation in May, was revoked. Even so, the Real is still expected to be devalued gradually against the dollar. The change in bands gives the bank more flexibility

and will allow it to devalue the Real quicker than first planned, should it want to.

The bank was prepared to continue supporting the currency, but the government is thought to have been shocked by a sudden outflow of foreign reserves which could have prompted comparisons with Mexico's devaluation last December.

There was a net outflow of \$34m (\$32m) on Wednesday and a further \$15bn on Thursday. The bank is estimated to have used about \$5m of Brazil's \$55m reserves defending the currency, although some of this money was recovered yes-

terday when the bank started buying dollars.

Several measures were announced to attract more foreign capital into Brazil. A 1 per cent tax on foreign investment in the stock market has been lifted, and a 5 per cent tax on foreign investment in fixed income securities has been cut to 5 per cent. A 7 per cent tax on foreign fund raising issues has also been suspended.

Among measures to prevent speculators, prepayment of foreign debts has been banned, and banks with long dollar positions will be required to keep more foreign currency on deposit at the central bank.

The growth in credit card use has prompted many non-financial organisations with strong supporter loyalty to team up with banks to launch credit cards. Several football clubs have their own cards. Perhaps the most unusual example is the Afro-Brazilian drum and dance group Olodum, which launched its own card last year. The band, a symbol of black identity and culture, said it would use profits for one of its many social projects.



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NEWS: UK

Labour leader wins boost for reform plans

By Kevin Brown,
Political Correspondent

Opposition Labour party leader Mr Tony Blair's campaign to drop the party's Clause 4 commitment to mass nationalisation looked certain to succeed last night after his proposals won unexpectedly firm support from the traditionalist Scottish party conference.

After a passionate appeal for support from Mr Blair, conference delegates voted by 58 per cent to 42 per cent to accept his plan to drop up a revised statement of the party's aims and objectives. A second motion

defending the existing Clause 4 commitment to "common ownership" of the means of "production, distribution and exchange" was defeated by 56 per cent to 44 per cent.

Mr Blair said he was "absolutely delighted" by the result. "It shows people that Labour is now speaking their language. It is a party they can now trust in government," he said.

The party leadership was openly jubilant about the unexpectedly high majority, which clears the way for final approval of Mr Blair's plans by a special conference in London on April 26. "We genuinely thought this vote was on a knife-edge. We are delighted

with the margin of victory," said a senior official.

Mr Blair and Mr John Prescott, deputy leader, who will spend most of the weekend drawing up a final version of the proposed replacement for Clause 4, which will be presented to a special meeting of Labour's national executive committee on Monday.

Several drafts are circulating among senior officials and shadow ministers, including one that supports a "dynamic market economy" and another that includes a cautious commitment to full employment. The final draft is likely to run to four or five sections, including paragraphs on the economy, democracy, social justice and the environment.

However, the only certainty is that the statement will contain a commitment to common ownership where it is justified on grounds of economic efficiency or social justice.

In one of his most powerful party speeches, Mr Blair bluntly rejected leftwing demands that Clause 4 should be retained as the centrepiece of his revised statement of aims. "That is a cop-out," he told delegates. "No matter how you stretch it and turn it Clause 4 says we believe in common ownership of the whole economy. Words do have meaning, and we

should say what we really believe."

Leftwingers claimed Mr Blair's proposals were part of a hidden agenda intended to help the leadership avoid committing itself to renationalising the privatised utilities. "However nice the butcher is, and he is nice, nobody buys a pig in a poke," said Mr George Galloway, MP for Glasgow Hillhead.

However, officials said that Mr Blair's appeal helped swing a majority of both trade union and constituency delegations behind his proposals, suggesting that leftwingers now have little chance of blocking change. Mr Blair said he was "confident" of victory at the special conference.

UK NEWS DIGEST

Lloyd's Names get damages in court victory

Nearly 1,800 badly hit Lloyd's of London members claimed victory yesterday when the High Court ruled that they were victims of incompetent underwriting and entitled to damages after losses of more than £500m.

Celebrations at the success of the Feltrim Names' Association against 54 Lloyd's professional agencies were tempered, however, by fears that it might take years of legal argument before the level of damages is agreed and payment made.

Lawyers for the agencies' errors and omissions insurers - from whose funds damages will be paid - said the total might be "significantly less" than the £200m-£240m Feltrim members would have received under the failed out-of-court deal Lloyd's offered litigating Names - individuals whose assets have traditionally supported Lloyd's - last year.

Feltrim Names lost heavily because of a series of catastrophes, including the 1988 Piper Alpha disaster. The court ruled that Mr Patrick Fagan, one of the Feltrim syndicates' underwriters, "failed to take the steps that a competent underwriter should have taken to ensure that his Names were not exposed to greater losses than they could reasonably be expected to bear". Ralph Atkins

Welsh office denies misusing EU grants

The Welsh Office and Welsh Development Agency yesterday strongly denied claims by Labour Euro MPs that European grants to the principality were being misused to cut public spending.

Mr Wayne David, leader of the European parliamentary Labour party, said a leaked draft of the WDA's corporate plan showed it intended to use money from the European regional development fund (ERDF) as a substitute for part of its reduced grant from the Welsh Office.

This, he said, was a clear breach of the European Union's "additionality" rule that such funds must be additional to, and not a replacement for, national public spending. The Welsh Office said the allegation had no foundation and European funds were not being used to offset a lower grant. Roland Adurham

London 'to increase its importance in banking'

London will increase its importance as an international investment banking sector at the expense of other European cities because of its deregulated approach to pay and recruitment, a report says today.

The findings of the study by AMIS Management Systems UK, management consultants, suggest that regulating employment in the investment banks in reaction to the Barings banks collapse would be counterproductive to London's positioning in the international investment banking system.

The report, however, highlights the danger of bonus systems undermining bank risk strategies and says that managers could look at using their pay systems to control the riskier behaviour of their top traders. Richard Donkin

BT chief attacks regulatory structure

Sir Iain Vallance, British Telecommunications chairman, said yesterday that the UK's telecoms regulatory regime was damaging BT's international competitiveness and its opportunity to take a leading role in building a national "information superhighway" - a communications network capable of carrying a variety of information in an interactive fashion.

Sir Iain said BT was one of the few companies in the world with the financial resources - estimated at £15bn-£20bn - and technical expertise to build a national superhighway. Even then, it would be looking for partners for the venture in all business segments. He complained, however, that BT was prohibited from offering broadcast entertainment over its existing fixed network while US-owned cable television companies were free to offer telephone services. Alan Cane

Phone rates probe set: Mr Don Cruickshank, director-general of Ofcom, the UK telecommunications watchdog, is to investigate the rates charged by British Telecommunications and Mercury Communications to other telecoms operators for carrying certain international calls. The investigation has been stimulated by new tariffs - City to City and Marketlink - established respectively by BT and Mercury to offer large business customers low cost international communications. Mr Cruickshank said that for some of BT's tariffs, the interconnection rate was higher than the retail price. Mercury's tariffs were generally lower than the retail rate but still merited investigation.

Construction output up 3%: Total construction output in the UK rose 3 per cent last year, the first annual increase for four years, figures published by the Environment Department show. Construction orders, however, fell by more than a fifth in the final three months of last year compared with the same period in 1993.

Tate Gallery conman is jailed: A conman who tried to trick the Tate Gallery into paying £30,000 for two stolen masterpieces by Turner worth £24 million was yesterday jailed for seven months at the Old Bailey.

The paintings - "Shade and Darkness" and "Light and Colour" - owned by the Tate since 1856 were stolen while on loan to a gallery in Frankfurt, Germany.

A massive secret police operation codenamed Beano was set up by the Arts and Antiques Squad after Eboni Nwanosike, 23, made a series of telephone calls to the gallery.

Nwanosike threatened a director of the Tate, Alexander Nairn, that the two paintings - which are still missing - would be sold abroad unless £30,000 was handed over, said Jeffrey Pegden, prosecuting. Judge Mr Recorder Chadwin QC described the attempt to get the cash as "amateurish".

Just two days after the paintings disappeared the first telephone call from Nwanosike was made to the Tate.

Arrangements were made to meet Mr Nairn outside a London Tube station on August 5 last year. But a police officer took the gallery director's place.

Widening trade deficit defuses optimism

By Gillian Tett
Economics Staff

Hopes that the UK might have recorded a second current account surplus at the end of last year were deflated yesterday after official figures showed a significant widening of the trade deficit in recent months.

The government's Central Statistical Office said the balance of visible trade with the rest of the world had almost doubled between the third and fourth quarter to £3.1bn (£6.1bn).

The figures for the balance in invisible trade - which covers financial flows and services - will not be published until later this year.

However, most economists suspect that unless the invisible balance shows a dramatic improvement, the current account will return to a deficit in the last quarter of the year, after going into surplus in the third quarter of the year for the first time for seven years.

A key reason for the swing in the trend, the CSO said, was a rise in consumer imports at the end of the year, primarily due to works of art.

But aside from this, the underlying pattern also suggested more subtle changes in the trade trends.

The UK recovery was sucking in more imported goods at the end of the year although imports had remained relatively flat during the summer. Imports of basic materials grew 8.9 per cent in volume terms between the third and

TRADE WITH COUNTRIES INSIDE AND OUTSIDE THE EU Balance of payments basis (£m seasonally adjusted)									
	Exports			Imports			Visible balance		
	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world
1993	63,924	57,376	121,300	67,961	66,733	134,694	-4,037	-8,357	-13,394
1994	71,734	62,263	134,997	75,983	70,064	146,047	-3,529	-8,301	-11,730
Q1	16,463	15,290	31,753	17,734	17,395	35,129	-1,271	-2,076	-3,346
Q2	17,562	15,542	33,104	18,555	17,066	35,621	-983	-1,424	-2,417
Q3	18,547	16,106	34,653	19,067	17,443	36,510	-540	-1,335	-1,875
Q4	18,162	16,223	34,385	20,287	18,190	38,477	-1,125	-1,967	-3,092
May	5,749	5,136	10,885	6,171	5,795	11,966	-422	-659	-1,081
June	5,977	5,280	11,257	6,301	5,818	12,119	-324	-338	-662
July	6,028	5,384	11,412	6,176	5,874	12,050	-148	-490	-638
Aug	6,256	5,376	11,632	6,444	5,799	12,243	-188	-423	-611
Sept	6,285	5,348	11,633	6,467	5,770	12,237	-204	-422	-626
Oct	6,365	5,348	11,714	6,604	5,808	12,412	-238	-460	-698
Nov	6,406	5,605	12,011	6,758	6,007	12,765	-352	-402	-754
Dec	6,390	5,270	11,660	6,925	6,375	13,300	-535	-1,105	-1,640

British consumers might still be feeling cautious - but some international fine art lovers seem to be splashing out, Gillian Tett writes.

Trades of art and jewellery surged at the end of last year, the Central Statistical Office yesterday said.

Of the £700m (£1.15bn) rise in imported consumer goods between the third and fourth quarter of last year, £500m was accounted for by art, antiques and jewellery.

Meanwhile, the value of artworks sold overseas rose by £200m - or two-thirds of the total growth in the consumer exports.

fourth quarter, imports of manufactured goods rose 7.4 per cent during that period.

Another change observed is that the surge in exports which occurred at the start of the year appears to have lost some of its pace. Exports of manufactured goods grew 2.6 per cent over

the fourth quarter - a far slower rate than earlier in the year.

Measured over the year, both imports and exports hit record levels, with the overall deficit falling to £10.7bn - the lowest deficit since 1991.

This balance was helped by a surge in oil exports, with the surplus rising to £4.2bn over the year - the highest level for eight years.

Broken down on a regional basis, the data showed that the Benelux countries had been one of the fastest growing areas for UK exports in

Mr Jeremy Sparks, director of London operations at Phillips auction house, said: "These figures don't surprise me too much. There has been a gradual rise in overseas buyers."

In particular, business from Latin America and Far Eastern buyers had recently picked up, he said, while the European single market had led to an increase in interest from countries such as Spain.

However, other auctioneers admitted they were baffled, not least because activity in the art world remains well below its previous 1990 peaks.

Europe, with 29 per cent growth over the year.

Exports to Germany rose far more slowly in recent months, by contrast. Meanwhile imports from France have picked up sharply, resulting in a significant widening of the trade deficit in recent months.

Japanese plants set for works councils

By Robert Taylor,
Employment Editor

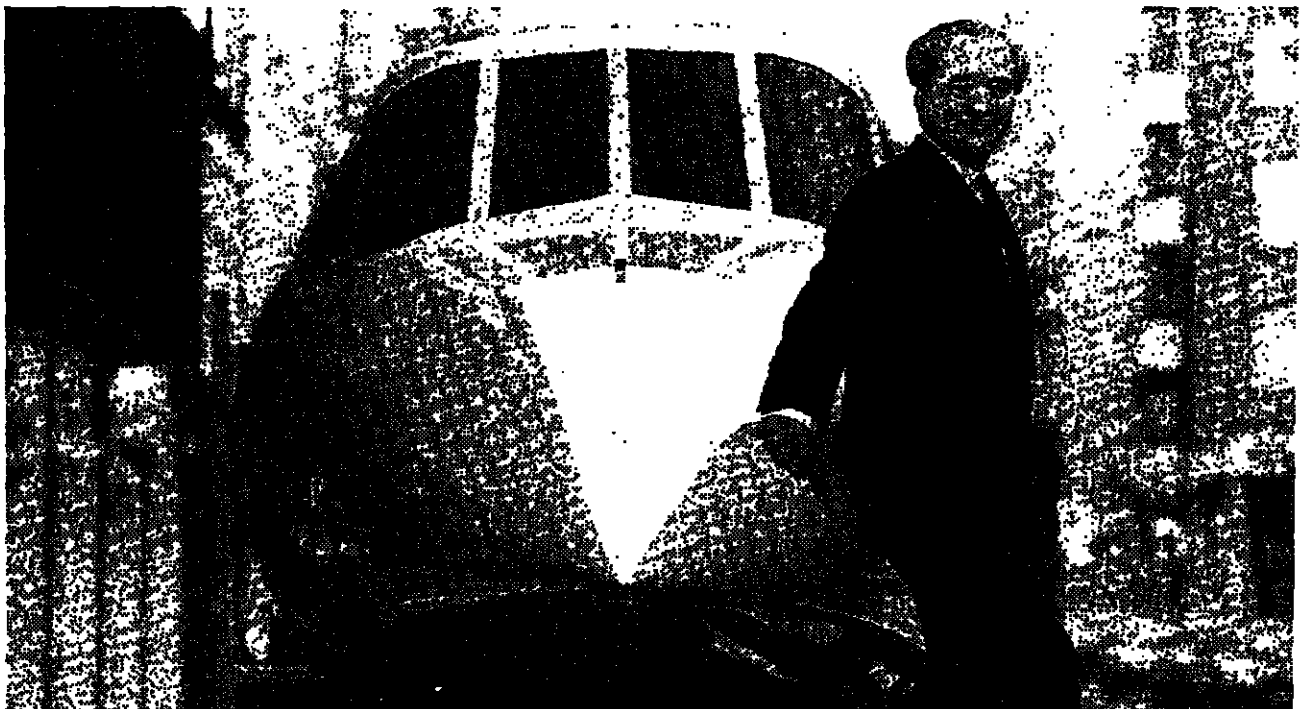
Britain's Trade Union Congress said yesterday it expected large Japanese companies with plants in the UK would establish consultative works councils for all their employees, despite the government's opt-out from the European Union's social chapter of the Maastricht treaty.

"Japanese companies foster a culture of trust and confidence in their workforce and I cannot imagine them excluding a substantial part - and sometimes a majority - of their European employees from consultative arrangements", said Mr John Monks, the TUC's general secretary yesterday. "I fully expect them to adopt a pragmatic and commonsense approach and voluntarily include British workers", he added.

The TUC has calculated there are 27 Japanese owned companies with British subsidiaries employing over 40,000 workers who will be covered by the European works council directive. These include Fujitsu (whose UK subsidiary is ICL), Hitachi, Honda, Mitsubishi, Nissan, Sony and NEC.

Under the EU directives information and consultation arrangements must be established in all companies employing more than 1,000 employees inside the European Union with more than 150 in at least two member states.

"The unseemly public quarrels in the government about the future of our engagement in the European Union cannot be attractive to Japanese investors", Mr Monks said in a speech to the Anglo-Japanese economic institute yesterday. He added: "Japanese investors look for stability and certainty in their relations in host countries, not for low wages and not the low aspirations of the little Englanders. Doubts cast on our commitment to the European Union and to the economic and social policies which all our partners have embraced can only deter foreign investment in Britain". Mr Monks also said he was concerned that the low level of training in the UK does not make the country attractive to Japanese companies.



Sotheby's auctioneers yesterday showed off what they consider the prime attraction a forthcoming sale of Concorde memorabilia from the Naval and Aircraft Museum collection of Wensley Haydon-Baillie (above). The nose section, valued at £25,000 (£39,920), was used in prototypes of the Anglo-French airliner that were tested at a British factory, Sotheby's said. The sale takes place on March 16

Hurd scorns rising tide of Tory ideology

By Robert Peston,
Political Editor

Mr Douglas Hurd, the foreign secretary, last night launched an attack on the rising tide of ideology in the Conservative party by calling for an agenda based on public service.

In what may be seen as a rearguard action against right wing ideologies, such as Mr Michael Portillo and Mr John Redwood, leaders in the debate about the future of the Conser-

vative party, the foreign secretary said: "We do not need to fortify ourselves with great new raft of ideology".

Speaking at Birmingham University in the Midlands, he added: "I believe that developing the idea of service is one way to give ourselves ballast".

Citing attempts by government to reform the civil service and the BBC, he said: "Competition and market testing are important, but they are not ends in themselves. The

BBC and the civil service are ultimately about public service."

He continued: "Recognising that role is in the mainstream Conservative tradition. Service to others, service to the community, public service - different branches of the same tree".

Mr Hurd said that attempts to measure public sector performance by making comparisons with the private sector were useful, but that they

must be done "without undermining the whole concept of people making a career out of service to the public".

He urged that the Conservative manifesto for the next election should be based on the idea that it is the party of "achievement" and "service".

However, he warned: "Achievement is not the same as making money, though it certainly can include it". His speech was littered with phrases which will enrage the

party's right wing. He described the party's success in the twentieth century as being based on its ability to embrace dominant social changes. "It was partly under Conservative rule that... trade unionism and state intervention... progressed in the first two-thirds of this century," he said, while Labour was now embracing the Conservative achievements of the 1980s.

Hurd interview, Page 11

London and Washington divided by common language

Britain treads delicately amid a row over policy on Ireland, John Kampfner writes

It is not often that UK spokesmen are eager to volunteer the impression of a government snubbed by its closest ally.

But there is little hiding the fury over President Clinton's decision to welcome the Sinn Féin president to St Patrick's Day festivities at the White House next week.

Sir Patrick Mayhew, Northern Ireland secretary, insisted during his visit earlier in the week that it was too early to separate the issues of decommissioning IRA arms and removing the restriction of Sinn Féin fund-raising in the US.

That, in essence, is exactly what the Clinton administration has done. In so doing, it has given greater weight to the views of the Dublin government than those of London.

"The Americans and the Irish have ganged up on us," said one

senior British official. "They are trying to bounce us into agreement with Sinn Féin."

Mr Dick Spring, who had been in Washington a week before Sir Patrick - a man he knows well from their months of work on the Anglo-Irish framework document - had told the Americans it would be counter-productive not to upgrade ties with Mr Adams.

Some diplomats say the final American decision was a close call. Mr Adams' statement, in which he appeared, albeit in convoluted form, to agree to discuss decommissioning in political talks, swung the balance in his favour.

The British responded far more coolly to Mr Adams' choice of words:

"No issue," Mr Adams said. "Including decommissioning, should be excluded from these discussions. We look forward to discussing all matters with a view to their resolution."

Mr Spring's statement welcoming the American invitation to Mr Adams was seen by some in Whitehall as adding fuel to the fire.

It is anything but the first time the Americans have taken a calculated risk on Mr Adams. The first time he was granted a visa a year ago, he refused to renounce violence. Yet they are convinced further overtures to him hastened the peace process.

The Americans and Irish see British reluctance to go the full distance with Sinn Féin as posturing.

Decommissioning, while important, they say, should not be seen as the determining factor in push-starting talks. It is unrealistic to expect any arms to be handed over as it goes against Irish history and international precedent.

The issue of fund-raising in the United States they also see as a red herring.

Mrs Jean Kennedy-Smith, US ambassador to Dublin, said that point clear yesterday. "Sinn Féin can raise funds in Britain so it did not seem really appropriate that the United States should not let them raise funds there as well," she said.

Demonstrating the depth of the division that now exists, Mrs Kennedy-Smith said: "It is an American

decision after all and the president of the United States has to make that decision to the best of his ability."

"He felt that the peace process had gone far enough ahead and progress had been made and that Mr Adams had made a very positive statement on the framework document and... on the arms issue."

Some of the resentment is general and territorial. Whatever they might say in public, British officials do not appreciate the Americans "meddling" in intricate negotiations.

Some of it is more specific. Underlying British policy both before the launch of the framework document last month and since has been the need to nudge public opinion in time

with the incremental upgrading of links with Sinn Féin.

It is a dangerous game - which almost blew apart after the leak to the press of extracts of the document - but it has so far worked.

Attempts at assuaging Unionist fury were not helped by Sir Patrick's attempt to clarify the decommissioning issue while in Washington. British officials insist his remarks did not imply a softening of the British position. But it was seen as such, and in this highly sensitive arena it is perceptions that count.

"There is an impression that we are capitulating all the time," one official said. "We are not, but we have to play it carefully."

It is all very intricate, but officials on all sides agree the peace process has survived more dangerous challenges than this latest fracas.

John Kampfner

COMPANY NEWS: UK

Cautious Exco shows 5% rise to £43.5m

By Patrick Harverson

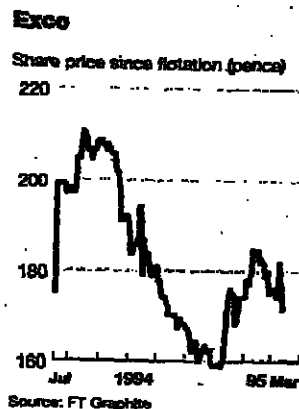
Exco, the money broker which returned to the market last summer after a long absence, reported a small increase in 1994 pre-tax profits from £41.5m to £43.5m.

The improvement in profitability, achieved on an 11 per cent rise in turnover to £244.4m, was broadly in line with expectations. But the results did not help Exco's shares. They fell 9p to 173p against last July's flotation price of 179p.

The decline was blamed on a cautious statement from the group about its prospects for 1995, and on a disappointing second half after a surge in business early in the year.

In Exco's main businesses of spot foreign exchange, money markets and derivatives, and fixed income securities, conditions were exceptionally favourable in the first few months because of economic recovery, rising US interest rates and political and economic uncertainty in Japan.

But trading activity fell away, particularly in the Asia Pacific region, a key market, and only recovered slightly in the past few months. Mr Peter Edge, who took over as chief



executive from Mr Ron Sandler in October, said the group was continuing to explore opportunities for geographic and product diversification.

On current conditions, Mr Carole Mosselmanns, chairman, said that trading activity had picked up in January and February, but remained below the very strong levels seen at the same stage of 1994.

Earnings per share rose to 19.3p (18.4p). A 3p final dividend makes a total of 5p.

COMMENT

Since enjoying a quick premium after the company was floated in July, Exco share-

holders have had a bumpy ride. This is not surprising, given that the money broker's revenues are tied so closely to the ups and downs of trading activity. Aside from coping with unpredictable market conditions, Exco also operates in a highly competitive field, with customers exerting persistent downward pressure on commissions. In addition, competition is increasing in foreign exchange broking - three recently launched screen-based automated trading systems have already won some business from the established voice-based brokers. Yet, despite the new entrants and the depressed market conditions, Exco had a creditable year. The sudden departure in October of Mr Sandler may have temporarily dented investor sentiment, but it has had little effect on the underlying business. The share price is vulnerable because no one knows when, or whether, trading activity will pick up substantially. Consequently, analysts are expecting little in the way of growth this year, predicting pre-tax profits of about £44m - a multiple of just under 9. Given the unpredictable nature of its business, Exco is not for the faint-hearted.

New Saatchi seeks tie with bigger partner

By Diane Summers, Marketing Correspondent

Mr Maurice Saatchi could upstage his old company next week by announcing an alliance with an international advertising network, just as Saatchi & Saatchi heralds what it hopes will be a new era with a name change and a two-thirds increase in pre-tax profits for the year.

Mr Saatchi, who was ousted as group chairman in December and has since formed a rival agency, dubbed temporarily "New Saatchi", has been in talks with several networks about a tie-up.

The Saatchi & Saatchi group is expected on Tuesday to announce pre-tax profits for 1994 of between £31m and £32m, up from £19m in 1993. Revenue is likely to be broadly similar to 1993's £200m. The results will not have been affected by client defections following Mr Saatchi's departure - they will start to show up in the current year's figures, for which analysts have already cut forecasts.

At an extraordinary meeting on Thursday the Saatchi & Saatchi holding company will hope to gain shareholders' approval for a change in name to Cordiant, as well as the adoption of a new executive share option scheme.

Mr Saatchi's new agency has already landed business from Mirror Group Newspapers and Gallagher cigarettes. But with just a small group of staff, he needs to collaborate with a worldwide group in order to pitch for the British Airways account next month.

New Saatchi will be in competition for the £60m account with old Saatchi, as well as agencies J Walter Thompson and Bartle Bogle Hegarty.

Names that have been linked to the new agency include: Lintas, part of the US public group; Publicis, the French agency; and US agencies Young & Rubicam, and D'Arcy Masius Benton & Bowles.

Uncertainty about regulation for recs could last until summer

Electricity pricing review possible

By Peggy Hollinger and Michael Smith

Professor Stephen Littlechild, the electricity regulator, yesterday refused to rule out a comprehensive review of the regional electricity companies' pricing regime, adding to fears that the regulatory uncertainty could last into the late summer.

At a meeting with fund managers and analysts in London, Prof Littlechild said it would be "wrong to rule out anything at this stage", when asked if he would re-examine fundamental issues such as asset value and rates of return.

Plans to demerge the National Grid and other incentives for shareholders, such as share buy-backs, have been put on hold.

However, Prof Littlechild said he had no objections in principle to share buy-backs by the recs. "If we can get this price control right, I do not think it is necessary to impose any constraints on share buy-backs."

He made his comments at a closely guarded meeting with the investment community in London.

Representatives of the Stock Exchange and hosts Barclays de Zoete Wedd were there to ensure fund managers did not escape before the meeting was over to call traders with price sensitive information.

In the end, the precautions were unnecessary.

Investment managers said Prof Littlechild had failed to clarify whether there was a consistent method of regulation for electricity companies.

"He has ruled nothing in and nothing out," said one analyst. "He is telling us he has spent five years looking at this and does not understand. He invented it - if he does not understand it we might as well give up."

Prof Littlechild was speaking as the recs' chief executives met elsewhere in London to discuss potential common ground in the forthcoming negotiations.



Stephen Littlechild: no objections in principle to share buy-backs by the recs "if we can get this price control right"

Options considered included offering substantial rebates to customers or voluntarily tighter price controls in an attempt to end the uncertainty.

However, several companies are concerned that a quick solution would leave the door open to further revisions in future years.

New price controls are due to come into effect next month. While Prof Littlechild has indicated he expects the agreed formula for next year to stay in place, he is considering changes to his proposals for the following four years.

He has said he will publish revised proposals by the end of June.

But if he decides to revise the formula, some company executives say a further consultation period would then be likely.

One finance director of an electricity company said last night that a rapid solution, involving either rebates or price controls, would run the risk of criticism from politicians and the public for what could be seen as a "grubby deal".

"There is no prospect of us closing off the regulatory uncertainty if we do something which can be interpreted as a quick fix. What would stop him coming back next Christmas and asking for more?"

"I may be in a minority, but I have an underlying feeling that we may have to end up at the Monopolies and Mergers Commission," he added.

Another finance director said any agreement would have to be approved by the government. "We have to be sure that whatever we decide stays in place for the full five years."

However, an executive at another company said he would favour coming to an agreement as early as the end of this month. "It is in nobody's interests to have this running on. Surely he [Prof Littlechild] wants a quick solution. He is in a hole and he needs to get out of it."

"I would prefer an arrangement which would also enable us to float off the National Grid. That is what the institutions want," he said.

Rebates of more than £50 a customer were being suggested, but some executives pointed out that recs with large numbers of customers would have to pay out more than others.

Among other options being considered is one to change price controls so that distribution prices would rise by inflation minus 4 per cent in each of the four years from next April, rather than inflation minus 2 per cent as previously agreed. See Lex and Weekend Money

GPG launches £8.4m rights

By Tim Burt

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, launched an £8.4m rights issue after reporting a sharp fall in profits.

The company, which saw pre-tax profits tumble from £27.7m to £8.42m, blamed the decline on a poor performance by Tyndall Australia - its partly-owned life assurance and fund management group - and said it needed fresh capital to pursue some "exciting investment projects".

Sir Ron admitted the figures were "somewhat disappointing", adding that the group

had been hit by difficult market conditions. "Our substantial equity portfolio must inevitably be adversely affected in such circumstances," he said.

Investment income fell to £5.33m (£4.7m) and operating profits to £7.9m (£23.7m). Turnover, however, increased from £39.7m to £59.7m, including £6.48m from acquisitions and £394,000 from disposals.

GPG also invested heavily in the UK and Australasia, acquiring a 25 per cent preference shareholding in Wembley, the stadium group, and the entire equity of fund manager New Zealand Guardian Trust.

Mr Blake Nixon, executive director, said the rights issue

would enable the company, which includes stockbroker Brown Shipley, to expand its portfolio. "We feel there are some good value prospects on the market," he said.

The 1-for-10 rights issue - the second in consecutive years - has been priced at 20p, a 28 per cent discount to yesterday's 28p closing price. The announcement came after the market closed.

Earnings per share, fell from 3.33p to 2.26p and the dividend was passed again. Mr Nixon predicted that the benefits of new acquisitions should enable the group to pay a dividend in 1996, the first since Sir Ron took control in 1991.

Electricity generators' shares recover slightly

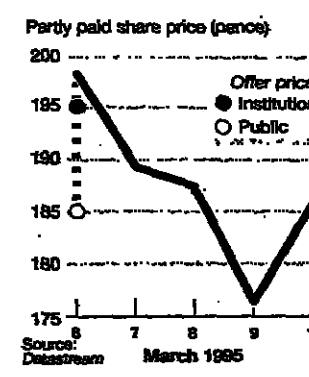
The partly-paid shares in National Power and PowerGen, the electricity generators, rose marginally above the retail offer price yesterday.

However, institutional investors were still sitting on a loss, with National Power shares closing up 7p at 173p and PowerGen up 5p at 185p, compared with the institutional offer price of 180p and 195p respectively. Retail investors

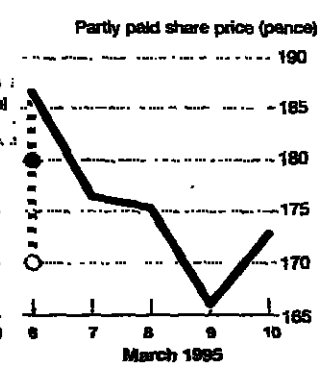
had a 10p discount.

Investors are still angry over the government's handling of its £40m share sale. The day after the shares began trading the electricity industry regulator announced he was considering imposing tighter price controls. It has emerged that the government knew of his musings several days before the offer closed, but did not include this in the prospectus.

PowerGen



National Power



Net assets fall 9% at F&C Inv

By Roger Taylor

Foreign & Colonial Investment Trust, the UK's largest, reported a fall of 9 per cent in net assets to 134.7p in 1994. The shares dropped 7.7 per cent during the year.

The £1.4m trust, which has more than 950,000 investors, reduced its exposure to the UK, US and east Asia during 1994, and increased holdings in Japan. The trust has raised its borrowings to leave it with gearing of 11 per cent.

During 1994 the trust borrowed yen to invest in UK gilts, in the belief that the yen would be weaker than the pound. This strategy failed to pay off as the yen strengthened. However, F&C said interest earned on gilts had covered the capital loss on the yen and remained confident that in due course the yen would weaken.

Mr Michael Hart, chairman of F&C Management, said he believed 1995 would be a better year. In particular, F&C expected Japanese and UK shares to perform well, but remained cautious on US shares.

Warning slices 17p off Chieftain shares

Shares in Chieftain Group tumbled 17p to 33p yesterday as the USM-quoted fireproofing and insulation group warned that pre-tax profits for 1995 would be below the £375,000 achieved in 1994.

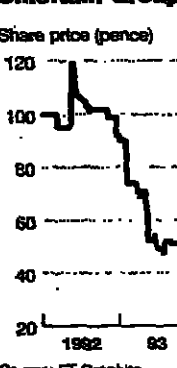
A week ago the group announced a turnaround to profit from losses of £372,000, thanks to recovery continuing in the second half. The directors said those results had been achieved against a background of improving demand in some sectors but extreme pressure on margins overall.

Mr Stan Elliott, finance director, said the group was confident there would be progress in turnover terms - in 1994 turnover declined to £9.77m (£12.6m) - but added that the timing of contracts would have an adverse impact on profits.

The group said its order book currently stood at £4.35m, some way short of the £7m at this time last year.

However, it added that the value of tenders currently being issued encouraged the board to think that "further contracts of significant value

Chieftain Group



will be secured during the year".

However, these contracts will probably not be completed in 1995 and therefore consequent profits on them are unlikely to be realised until 1996.

The board said it would review the level of dividend for 1995 once the eventual profits and earnings figures are known. In 1994, Chieftain recommended a final dividend of 1.5p for a reduced total of 3p (3.5p).

Edmond says yes to £12.9m takeover bid

By Andrew Taylor, Construction Correspondent

Edmond Holdings, the regional housebuilder which is in trouble with its institutional shareholders when it failed in a reverse takeover bid, has now agreed to be taken over itself by Roxylight Properties.

The £12.9m offer - at 25.25p a share - is conditional upon Roxylight acquiring at least 50.1 per cent of the shares. Edmond directors have agreed to accept in respect of their 19.5 per cent holdings.

Edmond's shares closed up 1p at 19p yesterday - the announcement came just after the market closed.

Roxylight, formed to mount the bid, is managed and partly owned by Mr Charles Miller, a former construction executive, and Mr Henry Gwyn-Jones, a property developer.

Other shareholders include several private property investors. The balance of the purchase price for Edmond, which builds homes in the east Midlands, East Anglia, Humberside and Yorkshire, will be provided by National Westminster Bank.

Edmond also announced pre-tax profits of £145,000 (£1.89m losses) on turnover of £13.7m (£11m) for 1994. The company owns or controls 1,689 building plots at an average cost of £8,100. Net borrowings at the end of December were £5.9m (£6.2m).

An attempt by Linden, an unquoted housebuilder, to acquire Edmond in a reverse takeover worth £16.1m was rejected in December by its institutional shareholders.

Southern Newspapers at £4.9m after all-round improvement

By Christopher Price

Southern Newspapers, the regional newspaper group, raised operating profits 35 per cent from £3.58m to £4.84m for the six months to December 31, as it reported improvements in both advertising revenues and newspaper sales.

Pre-tax profits, however, fell by 31 per cent to £4.94m as profits last time of £7.15m included a £3.51m exceptional credit from the sale of a stake in a rival newspaper group.

The company said the newspaper division, which publishes three daily and 30 weekly newspapers in southern England, had shown improvements across the board. There was only a small contribution from the latest acquisitions, bought in November 1994.

Advertising revenue increased by 12.8 per cent, with employment and national advertising campaigns important elements. Improved profits were

recorded by the contract printing division, which benefited from the consolidation of all its activities on one site.

The only note of caution struck by Mr John Salkeld, chairman, was the rising price of newsprint, which had recently increased sharply. He said further rises were expected later in the year.

Turnover rose 11 per cent to £40.8m (£36.6m). Earnings per share dropped to 14.43p (25.28p) but the interim dividend is lifted to 4p (3.5p).

Nine offers received for Ryman

By Patrick Harverson

A group led by Mr Roy Crossland, the former managing director of Ryman, has joined the list of those eager to buy the stationery chain from the receivers of its parent group Pentos, the insolvent retailer.

KPMG, Pentos's receivers, said that it had received nine

offers to buy the chain, and would study the bids over the weekend before making a decision early next week. Among the bidders are a group representing Ryman franchisees, which operate 21 of the chain's 114 stores.

Speaking after the deadline for submitting offers expired yesterday, Mr Crossland con-

firmed his interest in Ryman but would not say who was providing the financial backing for the bid. He had been looking for a way back into the business since he was replaced as the chain's managing director in March 1994.

Ryman entered receivership with Pentos on February 28, with liabilities of £13m.

SG Warburg sells leasing arm for £71m

By John Gapper, Banking Editor

SG Warburg, the UK investment bank, yesterday continued restructuring its businesses after the collapse of merger talks with Morgan Stanley by selling a leasing subsidiary to GE Capital Europe for £71m.

Warburg sold Pallas Group, a vendor leasing company which provides financing for office equipment and information technology. Pallas had net assets of £26.5m at March 31 1994, and it made pre-tax profits of £4m.

Warburg said it had decided to dispose of Pallas last year because it was a non-core operation. It said the £71m purchase price was subject to adjustment as a result of an audit of completion balance sheets at February 28.

Mr Christopher Mackenzie, president of GE Capital Europe said the acquisition was part of a strategy of expanding its presence in vendor leasing.

Sharp pay rise for Shani chief

The chairman of Shani Group saw his total emoluments rise 51 per cent to £220,000 for the 15 months to October 31, compared with £146,000 for the year to July 31 1993.

The manufacturer of ladies' and children's wear, whose shares began trading on Thursday, had pre-tax profits of £3.51m for the period, compared with £2.44m the previous year, an increase of 44 per cent. Turnover grew 51 per cent to £30.4m.

China gives approval to SB hepatitis vaccine

SmithKline Beecham, the pharmaceuticals and healthcare company, has gained registration in China for Havrix, its Hepatitis A vaccine.

SB is to join the China National Biological Products Corporation and the Shanghai Institute of Biological Products in creating a Shanghai-based operation to manufacture, market and distribute Havrix.

The vaccine will be available in China later this year.

About 1m cases of Hepatitis A are reported in China each year, although the true figure is believed to be much higher.

The virus is spread mainly through contaminated food and drink. It leads to swelling of the liver and can be fatal.

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RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Cardiff	Yr to Dec 31	5.07 (4.88)	1.26 (2.86)	1.2 (71)	0.25	May 5	0.5	0.5
Cardiff Consulting	Yr to Dec 31	18.99 (18.47)	0.17 (4.58)	1.31 (20.38)	1.1	May 5	1.5	0.5
Exco	Yr to Dec 31	234.39 (211.29)	45.53 (41.5)	18.3 (18.4)	3	May 25	6	6
Exxon	Yr to Dec 31	130.39 (128.91)	5.83 (6.07)	6.15 (6.75)	1.85	May 9	1.25	2.5
Forward Technology	Yr to Dec 31	49.1 (48.8)	1.76 (1.08)	6.2 (5.5)	1.5	May 31	0.5	2
Industrial Control	6 mths to Nov 30	43.4 (39.9)	2.8 (2.42)	3.6 (2.5)	1.5	May 5	1.5	1
Kennametal Resources	6 mths to Dec 31	1.1 (1.1)	0.298 (0.212)	0.04 (0.03)	-	-	-	-
Lynas	Yr to Dec 31	8.28 (7.76)	0.377 (0.115)	3.92 (1.14)	2.56	May 31	1	3.5
Pentos	Yr to Dec 31	31.5 (22.9)	2.064 (1.75)	11.42 (10.26)	2.56	May 31	3.24	14
Robinson Brothers	Yr to Dec 31	27.36 (26.13)	1.69 (2.71)	71 (114)	7	June 5	10	17
Scottish Television	Yr to Dec 31	118.26 (126)	24 (13.03)	3.78 (21.29)	11.8	June 5	10.2539	14.0841
Serif	Yr to Dec 31	21.1 (18.2)	1.31 (1.24)	1.71 (2.9)	-	-	-	-
Southern News 11	6 mths to Dec 31	40.83 (38.82)	4.94 (7.15)	14.43 (25.28)	4	Apr 3	3.5	13.5
Sunlight	Yr to Dec 31	23.86 (15.7)	0.846 (0.208)	0.28 (0.15)	0.05	June 9	0.06	0.06
Walker (Thomas)	6 mths to Dec 31	2.05 (1.94)	0.083 (0.048)	0.771 (0.587)	0.18	Apr 21	0.18	0.08

Investment Trusts

	NAV (p)	Attributable earnings (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cardiff	Yr to Dec 31	146.8 (191.7)	0.069 (0.279)	0.11 (0.44)	0.17	April 28	0.17	0.17
Group Dev Capital	15 mths to Dec 31	53.6 (54.3)	0.048 (0.126)	0.15 (0.53)	0.33	May 31	0.33	0.33
Latin American	Yr to Dec 31	231.7 (252.1)	0.78 (0.24)	1.01 (0.32)	0.18	Apr 25	0.18	0.18
Thornton Pan-Euro	Yr to Dec 31	50.65 (40.78)	0.278 (0.184)	1.39 (0.82)	1	Apr 25	1	1

Dividends shown net. Figures in brackets are for corresponding period. 10m increased capital. £15m stock. *After exceptional charge. *Includes £3.51m surplus on disposal of investments. *Comparatives for 12 months to September 30. *After £546,000 restructuring costs. *US currency: \$100C.

INTERNATIONAL COMPANIES AND FINANCE

Air France to recoup Sabena outlay

By John Riddling in Paris

Air France expects to recoup about FF1.1bn (\$202m) from the sale of its stake in Sabena, the Belgian carrier which is close to an alliance with Swissair, Mr Christian Blanc, chairman, said yesterday.

The head of the French flag carrier said agreement had been reached to sell its stake back to the Belgian government and the receipt of the proceeds was not affected by conditions attached last year by the European Commission to a FF200m capital injection from the French state.

Air France owns just over two thirds of Finacta, a holding company which owns 37.5 per cent of Sabena. Mr Blanc said the proceeds from the sale

of its stake represented the total of its investment, which was agreed in 1992.

Mr Blanc confirmed Air France was cancelling orders and options for aircraft from Airbus and Boeing. The decision, which concerns an estimated 17 aircraft, prompted an angry response when it was revealed at the end of January, particularly from Airbus, the four-nation European aircraft consortium.

Mr Blanc said negotiations were under way with the aircraft manufacturers about Air France's need to reduce its fleet. He indicated that the decision concerning the change in the orders would be based on financial and not political considerations.

Mr Blanc made his com-

ments ahead of the launch of new products and tariffs for its European operations. The new products, to be launched next week, are expected to include cabin redesigns and new seating. They will be followed in October by the launch of products for its long-haul services. The investments for the overhauls represent about FF200m and FF500m respectively.

The Air France chief said the company was on target with its three-year restructuring plan aimed at curbing losses which totalled FF8.5bn in 1993.

Mr Blanc said the objective of reducing losses to about FF3.5bn in the 15 months to the end of March would be achieved. But he added that the company was only between

25-30 per cent of the way along the road to recovery.

Mr Blanc confirmed the French carrier was in negotiations with American Airlines and Japan Airlines about the formation of an alliance. He said that of the US carriers, Air France preferred to form a partnership with American. But he added that there was "no need to rush" in seeking to finalise an agreement.

The biggest problem facing Air France was the fall in its revenues per passenger per kilometre.

Mr Blanc said the problem was being addressed through its new products and through a new computerised yield management system bought from American Airlines earlier this year.

Union Pacific pays \$1.1bn for railroad

By Richard Tomkins in New York

Union Pacific, the US freight railroad recently thwarted in its \$3.6bn takeover bid for Santa Fe Pacific, yesterday claimed a consolation prize by agreeing a \$1.1bn takeover of Chicago and North Western Transportation, the eighth biggest US railroad in terms of route mileage.

It owned 29 per cent of Chicago and North Western's stock, but it has now agreed to pay \$35 a share in cash for the rest of the company's equity. Chicago and North Western's stock shot up \$8 to \$34½ in early trading.

The acquisition will lift Union Pacific to second place, from third, in the league table of biggest US freight railroads. Union Pacific's main motive for buying Chicago and North Western is to acquire control of CNW's route between Chicago and Omaha, Nebraska. The route will provide a short cut between the two points for Union Pacific's coal, grain and intermodal traffic.

The deal will allow the two companies to operate more efficiently making better use of staff, tracks and locomotives.

Earlier this week, Union Pacific won permission from the Interstate Commerce Commission, the federal railroad regulator, to exercise voting control over its 29 per cent stake and to increase its ownership to 100 per cent.

When Union Pacific first made its control application to the ICC at the end of last year, it indicated that it was not necessarily interested in a full takeover. But last month it was defeated by Burlington Northern in its bid for Santa Fe Pacific, another first division freight railroad.

The deal is the latest in a series of attempted mergers in the US railroad industry. Of the rest, one between Illinois Central and Kansas City Southern and another between Conrail and Norfolk Southern have come unstuck, and the Burlington Northern/Santa Fe deal has yet to be approved by the ICC.

Peugeot and Renault agree to disagree over US return

The carmakers savour prospects for markets in Asia, Africa and Eastern Europe but part company over North America, writes Kevin Done



Louis Schweitzer (left) and Jacques Calvet looking ahead

Peugeot Citroën and Renault, the two French carmakers, are seeking urgently to expand their sales and production operations beyond the confines of west Europe.

Mr Jacques Calvet, chairman of the Peugeot group, and Mr Louis Schweitzer, chairman of Renault, agree on the promise of markets in the Asia Pacific region and South America, but the two rivals part company over the prospects for returning to North America.

Both French carmakers have endured the embarrassment of having to withdraw from the US in recent years - Renault in the 1980s, Peugeot in 1991 - in the face of rising losses and falling sales there.

Mr Schweitzer sees no way back. "The US is not a reasonable adventure for a European volume manufacturer," he says. "Where you make money is in light trucks (four-wheel drive sport utility vehicles and pickups), and that is not our product line. It would need enormous money spending on a market that is not growing and is not profitable."

"We wish to expand more and more in markets outside west Europe, outside the US and outside Japan. We have to be in Japan as a symbolic presence."

Mr Calvet is not so sure. He has set the target for the Peugeot group of increasing its sales outside Europe to 25 per cent of the total by the end of the decade compared with 12-14 per cent at present.

"We have been relatively strong for a long time in Africa and in the Middle East, and we have been making progress during the last five years in south-east Asia and in South America. The only very important blank on our map, now or in the future, was the US and

Canada." The Peugeot chairman has appointed a study team to investigate the prospects for re-establishing the group's vehicle operations in North America, but insists that the approach is very cautious, and it is still early days.

He rejects suggestions made earlier this year that the group was considering an investment of \$4bn in order to compete again in the US. "If it is \$4bn then the file would be closed immediately," he says. Mr Calvet says that the study team's initial report should be completed by the end of June.

"My idea is to look very carefully whether it is possible to organise a sensible basis for operations in the US. But it is very difficult in terms of products, trade, financial efforts and manufacturing. We are at the beginning of the beginning of the process."

Mr Calvet says that the group has learnt from past experiences that it is necessary to conceive cars from the beginning for the American market and not simply to modify European products. At the same time, it is necessary to have a "relatively large range" of cars on offer and not just one range.

He considers it would be necessary to produce cars in the US rather than simply exporting from Europe because of the potential financial exposure to big fluctuations between the US dollar and European currencies.

"From one year to another you can make a lot of money and lose a lot of money. The

issue is to see whether it is possible to create a plant in the US, not just for domestic sales but to balance costs in dollars with receipts in dollars."

A decision to return to the US would be momentous for the French carmaker, and Mr Calvet admits that it would be his successor that would have to execute such a strategy.

"It is a question of four to five years, not 1996. I am relatively close to retiring. I want to give my successor the possibility of re-entry, if he considers it is interesting. North America and Europe are the largest markets in the world with sales of 13m to 18m vehicles a year. You cannot rule it out of the picture without having examined it with a lot of care."

The 63-year-old Mr Calvet says that his tenure at Peugeot, which he joined in 1982, will run to the end of June 1997, the shareholders' meeting after his 65 birthday.

In the last 13 years the two carmakers Peugeot and Citroën have been fused into "one unified group," he says. "Now there is more and more a willingness not to be a regional carmaker but to be an international carmaker. It is impossible not to reject the idea that in four to five years we will still be outside the US."

Mr Calvet considers that sales volumes of between 60,000 and 80,000 cars a year would be necessary to be profitable in the US.

"If I was Mr. Ladbroke I would say the odds were 3 to 1 against or maybe 5 to 1."

Canal Plus reassures investors

By Andrew Jack in Paris

The chief executive of Canal Plus, the French pay-TV company, yesterday made efforts to reassure the markets about the group's financial health after unveiling unexpectedly low 1994 profits on Thursday.

Mr Pierre Lescure said the company remained in "very good health" but had over-exaggerated last year in a series of moves that almost halved its net income to FF626m (\$126m).

News of the results came after the Paris bourse had closed on Thursday, but caused a drop of more than 10 per cent in value of the shares yesterday and triggered their temporary suspension.

While total revenues rose 10.3 per cent to FF5.6bn, consolidated operating costs dragged net income down 47.9 per cent after a growth in programming costs relating to regulatory obligations; an increase in depreciation charges on new decoders to cut down on illegal de-scrambling of its broadcasts; and provisions for production activities.

A write-down of its loans to and shares in Caracol, the US-based production company in which it holds a 17 per cent stake caused a FF120m exceptional charge after tax credits.

Gemina shares tumble on fears of unexpectedly heavy losses

By Andrew Hill in Milan

Shares in Gemina, the Italian investment group partly owned by Fiat, fell by 9.5 per cent yesterday ahead of the official announcement of unexpectedly heavy losses and plans for a L1,526bn (\$324m) rights issue.

Gemina announced that for the 1994 calendar year it would lose about L250bn, after discovering that RCS Editore, the publishing and media group, had lost about L430bn.

The investment company blamed the sharp fall in the shares on the leak of mistaken

information on the results to an Italian newspaper.

Gemina has a 93 per cent stake in RCS, which includes the Rizzoli publishing house, but only realised the extent of the loss after an RCS board meeting on Thursday.

The group said yesterday the problems seemed to be centred on the video and book subsidiaries. RCS's newspapers, which include Corriere della Sera, the Milan daily, were still performing well. Gemina said it would have to look at a "strategic reorientation" of the company, centred on its magazine and newspaper activities.

To help pay for the relaunch of RCS and GFT, the recently acquired Turin clothing manufacturer, Gemina said it was planning a rights issue raising an initial L1,327bn, and a further L1,99bn through the exercise of warrants.

The shares will be offered on the basis of four for every five already held, at L1,000 a share, against the closing price yesterday of L1,051, down L110 on the day.

Gemina's principal investors, led by Sicind, a Fiat subsidiary, with a 23 per cent stake, have said they will take up their rights.

Dasa and Nortel form alliance

By Michael Lindemann in Bonn

Daimler-Benz Aerospace (Dasa), the aviation and aerospace division of Germany's biggest company, yesterday said it would invest DM300m (\$215.5m) in telecommunications over the next five years as part of a joint venture with Northern Telecom (Nortel), the Canadian maker of telecoms hardware.

The new company will specialise in management systems for telecoms networks and multimedia technology. Dasa said it would use its expertise

in satellites to develop new telecoms technology. The joint venture will build metropolitan area networks or MANs, the fibre optic communications systems which were premiered earlier this week in Germany when the city of Frankfurt announced it would build a 10km MAN.

Dasa and Nortel have equal stakes in the new venture, called Nortel Dasa Network Systems, which was first announced in January. The new company will have 600 employees and will be based mainly in Frankfurt and the

southern German town of Friedrichshafen.

Nortel Dasa hopes to sell its hardware to companies operating in buoyant telecoms markets. It will be hoping to take advantage especially of the German market, the third largest in the world, where several international alliances have been created this year, all hoping to win the right to operate a voice telephone network after the market has been liberalised early in 1998.

"This is a strategic investment in a rapidly expanding market," Dasa said.

COMPANY NEWS: UK

Scottish TV at £2m after write-off

By Christopher Price

Scottish Television yesterday reported a 31 per cent fall in operating profits from £13.1m to £9.1m for 1994 and announced the sale of its outplacement service agency for a minimum of £9.6m.

The sale of Alternative International to Courts Consulting Group involved a £7.5m write-off against goodwill and sent the station's pre-tax profits down from £18.2m to £2m. As well as the initial consideration of £9.6m, a further £3.6m, which is profit-related, could be paid over the next three years.

Scottish blamed the fall in operating profits on it being forced by an OFT deci-

sion to switch its advertising sales business between sales houses mid-year. Revenues were also affected by a dispute with Unilever.

Advertising revenue slipped 3.2 per cent to £73.5m (£75.5m) while the group's share of the market fell from 5.3 per cent to 4.8 per cent. However, the group said that a new sales house had been successfully integrated and Unilever had signed a new three-year deal.

The station forecast advertising revenue would rise by 8 per cent in the first four months of 1995.

Turnover from continuing operations slid 5 per cent to £118.3m (£125m). Earnings per share dropped from 21.39p to

losses of 3.78p after taking into account the tax charge of £3.62m (£3.81m).

The dividend is raised 13 per cent to 14.0641p (12.4102p) with a final of 11.8p (10.2539p).

Courts will pay £3m cash for Alternative through the issue of 3.75m new second convertible preference shares at 100p, with the balance being satisfied by the issue of 12.7m new shares to Scottish. This will give the station 71.5 per cent of the new enlarged capital of Courts.

For 1994, Courts reported break-even at the pre-tax level after losses of £4.8m in 1993. Turnover rose slightly to £18.9m (£18.5m). The final dividend was set at 1.1p, making 1.5p (nil).

S Lyles in the red and passes dividend

By Peter Franklin

Shares in S Lyles fell 21p to 62p yesterday as the Dewsbury-based yarn spinner and dyer brought forward the announcement of its half-year losses and revealed it was to pass the interim dividend.

Mr John Lyles, chairman, said that reporting of the results for the six months to December 31 had been brought forward by six weeks to inform shareholders of the position at the earliest opportunity.

The pre-tax deficit of £377,000 - against a profit of £113,000 - was disappointing, the chairman said, and was unlikely to match either shareholders' or market expectations, given the perceived improvement in the UK economy.

The reality was, said Mr Lyles, that the carpet industry had not yet emerged from the recession, either in the UK or Europe.

The loss, which included redundancy costs of £282,000 and interest charges of £93,000 (£47,000), was struck on turnover up from £7.76m to £8.26m (£7.76m) and was unlikely to match either shareholders' or market expectations, given the perceived improvement in the UK economy.

Mr Lyles added that the first two months of the second half had shown no improvement.

Persona turns in £2.06m

Persona Group, the distributor of PC networking and communications products which came to the market last April, lifted pre-tax profits by 18 per cent in 1994.

On turnover ahead 38 per cent to £31.6m (£22.9m) the pre-tax result came out at £2.06m (£1.76m) after flotation costs of £147,000.

Mr Wayne Channon, chairman, said the group had added seven new suppliers to its range during the year and it now distributed in the UK for the top three internet networking manufacturers worldwide.

Earnings per share worked through at 11.43p (10.26p) and a final dividend of 2.56p is proposed for a total for the year of 3.24p.



Alan Sugar (left) with Alan Furniss of Hewlett Packard: £4m sponsorship deal over four years

Spurs' sponsorship deal leaves Sugar with mixed feelings

By Damien Abratt

The £4m sponsorship deal signed by Tottenham Hotspur Football Club, with Hewlett Packard, the US computer company, left Mr Alan Sugar, chairman of Tottenham and the Amstrad electronics group, with mixed feelings.

Mr Sugar is a majority shareholder in Tottenham and in Amstrad, which has a product overlap with Hewlett Packard. "Nothing would have delighted me more than to have the Amstrad name plastered across the shirts," he said. Both boards agreed "a long time ago" to avoid connected sponsorship. "From a commercial point of view, to have the HP name is good for them and us [Tottenham]."

Tottenham's shares closed up 2p at 158p yesterday.

The sponsorship over four years was heralded by Tottenham yesterday as the most lucrative in British football. However, Ms Audrey Carroll, analyst on Manchester United for the locally based broker Siddall, said it was rumoured that United had a "substantially" more valuable agreement with Sharp, the electronics group.

From next season, HP's logo will be emblazoned across the chests of Spurs' players. Mr Sugar projected a 15-20 per cent return in replica kit sales since young fans could not legally buy kits bearing the current sponsor's name, Holsten, the German brewer. Holsten has been main sponsor for 12 years.

Mr Colin Sandy, Tottenham's finance director, said merchandising contributed £2.7m to total turnover of £22.3m last year.

Independent Newspapers 42% ahead at £37.7m

By John Murray Brown in Dublin

Independent Newspapers, the Irish-based media group, yesterday announced a 42 per cent increase in 1994 pre-tax profits from £236.5m in 1993 to £337.7m (£37.5m).

The company, controlled by Mr Tony O'Reilly, the Heinz Foods chief executive, reported a 57 per cent rise in turnover to £271.4m. Net debt jumped to £80m, from about £14m at the end of 1993, after it bought a 35 per cent stake in South Africa's Argus group and a 25 per cent interest in Newspaper Publishing, publisher of the London Independent and Independent on Sunday.

The board recommended a final dividend of 5.5p, giving a total of 8.5p, up 16 per cent.

About half the company's turnover still comes from Ireland. It has a stake in eight titles in the Republic, accounting for an estimated 80 per cent of all newspaper sales. Irish operating profits rose 16 per cent to £21.5m. Sales from the newspaper business rose to £237m (£140m). The Argus group contributed £23.5m (£24.03m) for nine months.

Independent is currently the subject of a Competition Authority inquiry over its 24.9 per cent stake in the Irish Press, the loss-making daily founded by Eamon de Valera, Ireland's first president.

Industrial Control ahead

Pre-tax profits edged ahead at Industrial Control Services Group, the control and safety systems specialist, rising 7 per cent from £2.62m to £2.8m for the six months to November 30.

Turnover was 9 per cent ahead at £43.4m (£39.9m), of which acquisitions accounted for £2.22m.

Earnings per share rose from 2.51p to 3.5p. The interim dividend is unchanged at 1.5p. The company is acquiring L&N Max Systems, the Pennsylvania-based process control division of Leeds & Northrup. The initial consideration is \$2m (£1.2m) in cash, with a further \$2m, plus accrued interest, payable in 12 months. L&N had turnover of £26m in 1994.

Sunleigh £646,000 in the red

Sunleigh, the branded consumer products group, is paying its first dividend since 1989 despite announcing pre-tax losses of £646,000 for 1994.

The result, which compares with profits of £208,000, was after exceptional costs of £972,000 (£836,000) including an £800,000 provision against future property liabilities.

Mr Robert Updell, the chairman, said that in June, at the time of the £17.9m acquisition of MacLaren, the pushchair maker, the group had expected a far better result. However, the benefit of MacLaren's peak seasonal trading period would be seen in 1995, he added.

Turnover amounted to £24m (£15.7m), although excluding MacLaren it fell to £14.4m.

Looking ahead, Mr Updell said that provided there was some recovery in its main European markets there were grounds for remaining optimistic in 1995. This, together with its net cash of £817,000 at the year-end, had enabled the directors to propose a nominal dividend of 0.05p.

Losses per share were 0.28p (0.06p earnings). The shares rose ¼p to 3¼p.

Forward Technology

Continuing the recovery begun in 1993, pre-tax profits at Forward Technology Industries, the electronics and audio group, almost doubled in 1994, from £88,000 to £176m.

Last year's result was after a £996,000 exceptional charge for restructuring. However, oper-

ating profits improved from £13.4m to £22.3m, on turnover of £49.1m, against £43.8m. Sales in North America were up 60 per cent.

Earnings per share emerged at 6.2p (0.5p). A recommended final dividend of 1.5p brings the full-year pay-out to 2p, compared with last year's nominal single final of 0.25p.

Golden Rose buy

Following the granting of a full listing, Golden Rose Communications is to acquire the remainder of the issued ordinary and preference share capital of London Jazz Radio.

The recommended offer value is LJR at £7.62m.

Golden Rose, which already owns 488,558 LJR ordinary - representing 92.9 per cent - has received an acceptance from Westinghouse Electric in respect of 34,778 of the 35,806 LJR shares not already owned.

LJR ordinary shareholders are being offered 10.95 new Golden Rose ordinary 1p shares for every LJR ordinary. On a basis of 135p per Golden Rose share - the price at which they were placed prior to the commencement of dealings on March 9 - this values each LJR share at £14.78p.

LJR preference shareholders are being offered 148.1 new Golden Rose shares for every LJR preference share, valuing each share at £200. There is a £175 cash alternative.

Golden Rose shares were unchanged at 132p on the announcement.

Serif losses deepen

Serif, the printing and packaging group, continued to trade at a loss during the second half as anticipated at the interim

announcement, giving increased full-year losses of £1.3m against £1.24m.

Turnover for the year to December 31 was up at £21.1m (£19.2m).

Losses per share came out at 1.7p (3.9p). The company has not paid a dividend since 1991.

Wellcome dividend

Following the acceptance of Glaxo's £9bn bid for Wellcome, the pharmaceutical company, a further announcement is to be made concerning the timetable and amount of Wellcome's proposed final dividend.

It has been decided that it was inappropriate to continue with the proposed marking of Wellcome shares ex the proposed final of 16p on March 13.

Wills Group

Shares in Wills Group were suspended at 14¼p yesterday at the company's request pending the result of talks which may lead to a recommended offer for the company.

A further announcement could be expected shortly, the directors said.

Carlisle turnaround

Carlisle Group had pre-tax profits of £1.25m for 1994, compared with a loss of £2.97m last time.

The group, which last November completed its transformation from financial services to a property investment company with a placing and open offer to fund property purchases, returned to the black at interim stage with pre-tax profits of £1m.

Turnover for 1994 edged ahead from £4.89m to £5.07m. The group turned losses per

share of 7p into 1.2p earnings, and is recommending a final dividend of 0.25p, making 0.5p for the year (nil).

North Sea in talks

North Sea Assets, provider of offshore oil and gas industry services, said it was in talks which could lead to an offer for the company and that a further announcement would be made shortly.

Its shares closed up 4p at 30p - a 15 per cent rise.

Whinney

Whinney Mackay-Lewis, the architectural practice, has been asked to place its Hargrett Lock-Neeress (HLN) subsidiary into receivership amid mounting losses.

Mr Ian Gardner, finance director, said if the losses at HLN had continued at their current rate the parent company would ultimately have been threatened.

HLN, which specialises in out-of-town retail developments and large commercial projects, lost £299,000 in the nine months to January 31.

Albrighton trading

Shares in Albrighton fell by 17 per cent to 11p yesterday after the USM-quoted quarrying company said that trading results for the year to March 31 would be adversely affected by the late call-off of supplies by a number of customers, as indicated in the interim report in December.

The timing had the effect of delaying the identification of problems with two main contracts which had been "keenly priced in late 1993-94" reflecting the then prevailing market conditions, it said.

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Japanese buyers hold back

Turmoil in currency markets this week and a plunging US dollar caused many commodity buyers to pause and think. Consequently, activity in most commodity markets, where prices are mainly quoted in dollars, slowed markedly. Traders suggested that some buyers were standing back to see how far the dollar would fall. But more complex factors were at work. For example, Japan, as the world's second largest consumer of aluminium, zinc and copper and the third biggest of lead, might have been expected to jump at the opportunity to buy dollar-denominated metals after the Yen rose sharply.

LME WAREHOUSE STOCKS
(as at Thursday's close)
tonnes

Aluminium	26,025	to 1,222,725
Aluminium alloy	300	to 22,240
Copper	4,500	to 108,000
Lead	7,700	to 336,320
Nickel	3,500	to 128,300
Zinc	10,700	to 1,202,000
Tin	800	to 24,180

However, Japanese buyers held back, fearing their export-oriented economy would be damaged by an over-priced currency. The dollar price of gold did make a half-hearted move upwards, breaching the US\$380 a troy ounce barrier for the first time in weeks. "Some foreign currency gold prices are at their lowest for years and in areas like Japan they are soaking up the metal," Ms Rhonda O'Connell, analyst at stockbroker T Hoare & Co, pointed out. Gold closed last night in London at \$381.50 an ounce, down 10 cents on the day but up \$4.50 on the week.

On the London Metal Exchange aluminium was the star turn starting the week with a sharp fall in the price dropped by 4 per cent in a few hours on Monday after an official revealed that Russian smelters were stepping up output.

WEEKLY PRICE CHANGES

Commodity	Latest price	Change on week	Year	1994/5
Gold per troy oz	\$381.50	+4.50	\$387.00	\$388.50
Silver per troy oz	\$292.50	+17.00	\$285.50	\$272.50
Aluminium 99.7% (cash)	\$1,222.75	-50.00	\$1,272.75	\$1,272.75
Copper Grade A (cash)	\$2,240.00	-20.00	\$2,260.00	\$2,260.00
Lead (cash)	\$336.32	-7.25	\$343.57	\$343.57
Nickel (cash)	\$128.30	-2.00	\$130.30	\$130.30
Zinc SHG (cash)	\$1,202.00	-14.00	\$1,216.00	\$1,216.00
Tin (cash)	\$24,180.00	+45.00	\$24,225.00	\$24,225.00
Cocoa Futures May	\$1,104.00	-29.00	\$1,133.00	\$1,133.00
Coffee Futures May	\$1,104.00	-29.00	\$1,133.00	\$1,133.00
Sugar (JDP Raw)	\$387.50	-5.70	\$393.20	\$393.20
Barley Futures May	\$105.75	-2.25	\$108.00	\$108.00
Wheat Futures May	\$111.15	-0.75	\$111.90	\$111.90
Cotton Outlook A Index	\$112.30	+3.00	\$109.30	\$109.30
Wool (S4 Super)	\$22.00	-0.50	\$22.50	\$22.50
Oil (Brent Blend)	\$16.50	-0.21	\$16.71	\$16.71

For terms unless otherwise stated, P: Pounds, C: Cents, \$: Dollars.

put. Sentiment was affected not only by the Russian revelation but also by news that Aluminium Bahrain would not repeat this year output cuts it made in 1994.

Mr Nick Moore, analyst at Ord Minnett, an associate of the Jardine Fleming group, said that, although the international trade agreement for aluminium production cuts reached in Brussels last year appeared to be unwinding, it had achieved its objective. LME aluminium stocks had been reduced by 1.3m tonnes from the peak 2.68m and would be down by 1.5m tonnes in two months. The rise in price that accompanied the stocks fall had proved "too much of a dripping roast for the salivating Russians to ignore".

LME aluminium stocks fell again yesterday to their lowest point since October, 1992, but this news was overshadowed by the International Primary Aluminium Institute which reported that producer stocks rose significantly in January, from 3.58m to 3.77m tonnes. IPIAI stocks are now at their highest level since February last year when some producers started cutting output after the trade agreement.

Primary aluminium output in the six regions that subscribed to the trade agreement - Australia, Canada, the European Union, Norway, Russia and the US - was down 3.6 per cent in January compared with the same month last year.

Aluminium for delivery in the LME last night at \$1,800, down \$3.25 on the day and \$4.50 on the week. London coffee prices were pushed to their highest level so far this year by investment fund buying, with the May futures contract gaining around \$50 a tonne on Thursday and a further \$48 a tonne on Friday. May futures ended the week at \$3,291 a tonne. The cocoa market suffered a sharp sell-off on Thursday when prices slipped by \$28 a tonne to leave the May futures contract at \$596 a tonne. Prices recovered to close at \$1,004 a tonne.

Kenneth Gooding

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

ALUMINIUM 99.7% (per tonne)

Cash 1800-7 1845-5
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LEAD (per tonne)

Cash 1800-7 1845-5
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FINANCIAL TIMES

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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday March 11 1995

Currency tempests

They are good news for headline-seeking journalists and profit-seeking traders, but currency upheavals are unpopular with everyone else. Businessmen detect uncertainty; central bankers hate looking ineffective; and economists dislike events they almost always fail to predict and usually cannot explain. But this does not mean anything effective will be done about the turmoil.

Since the beginning of the year the dollar has devalued by about 9 per cent to 10 per cent against the D-Mark and the Japanese yen. It would appear from this that dollar weakness is the culprit, as so many have assumed. Yet that is not so clear. One reason is that the yen's true relative strength is certainly being masked by intervention: between March 1993 and January 1995, the Japanese currency rose from ¥118.6 to the US dollar to ¥99.9, while Japanese foreign exchange reserves increased by \$38bn. Over the same period, German reserves rose only \$8bn. They may have soared during periods of ERM tension, but were spent shortly thereafter.

One reason for this marked difference is that the yen has been consistently far stronger than the D-Mark. Indeed, since the Louvre accord in early 1987 - when dollar weakness first became a serious concern after the pricing of the dollar bubble of the early 1980s - the yen has appreciated 68 per cent against the dollar, while the D-Mark has risen only 29 per cent. True, the trade-weighted exchange rate of the US dollar has fallen 5½ per cent since the beginning of the year, but its depreciation since February 1987 has only been 18 per cent, while the dollar's effective exchange rate has oscillated within a fairly narrow band for much of the past eight years. Similarly, the trade-weighted exchange rate of the D-Mark is only 16 per cent higher than in February 1987. The exception is the yen, whose trade-weighted effective exchange rate has risen 59 per cent over this period.

Serious error

Unless attention is focused narrowly on the last month or two, it is quite misleading to prize only of dollar weakness. Yen strength is far more obvious. Partly for this reason, it would be a serious error to focus exclusive attention on the need for action by the US alone.

It is, in any case, always more difficult for managers of depreciating currencies to achieve stabilisation than for those in charge of appreciating ones. The former will ultimately run out of foreign exchange reserves, while the latter may also be no reasonable interest rate at which outflows can be reversed - as Mexico is learning, to its great cost. But the exchange

rate can always be stabilised by the central bank of a country experiencing currency inflows, because it can create its own currency without limit.

Yet the fundamental reason why the task of stabilisation should be shared is that the actions that would be required of any one country may be destabilising not just for its own economy, but - in the case of the three large economies - for the world as a whole. At present, there may be a case for tighter US monetary policy, strengthened by yesterday's numbers on employment, but it is not all that decisive. But there is a still stronger case for Japanese monetary relaxation. Imposing the burden of stabilisation on the US alone would be both unreasonable and unwise.

Co-ordinated action

Unfortunately for those who believe stabilisation to be desirable, effective co-ordinated action - as opposed to jawboning, combined with leaning against the market winds - is still less plausible than decisive action by a single country. The three main participants must first agree that currency stabilisation is desirable; they must agree that the required policy actions are sensible; and, last but not least, they must view these agreed actions as domestically feasible. Elephants might also fly. At present, for example, the US would have to tighten monetary policy, while the Germans and Japanese would have to take the opposite course. All would have to buy dollars, the US by use of its own foreign currency and gold reserves, the other two by printing their currencies. It is conceivable that the US and Japan would agree such actions were appropriate. But the Bundesbank would not, because it would view the required action as domestically destabilising. It would almost certainly be right to do so.

Furthermore, in making the domestic economy a priority over stabilisation of their currencies, the US, Japan and Germany are not just being whimsical or obtuse. Their economies are either rather closed to trade, with the ratios of trade to GDP being only about 16 per cent for the US and Japan, or they do much of their trade with their immediate neighbours.

Whether or not currency instability is indeed undesirable, nothing effective will be done about it. The most one can hope for is for each of the big three to stabilise domestic inflation at low levels and keep fiscal deficits both small and stable. For the rest, exchange rate instability is something that people just have to live with, like the weather.

The US dollar was on special offer this week. With the American currency reaching historic lows against the yen, so many Japanese customers sought to buy dollars at bargain prices that one Tokyo cash dispenser ran out of dollar notes.

The dollar's decline is part of a long-term trend that dates to the Plaza agreement of September 1985, when the leading industrial countries agreed to take action to depress the overvalued US currency. Back then, it bought nearly three D-Marks and more than 240 yen; this week, it can barely buy 1.4 D-Marks and 90 yen.

To the average consumer outside the US, the dollar looks like a bargain. Adjusting the last Economist Big Mac index (conducted in April 1994) for recent exchange rate movements, a McDonald's burger costs just \$2.30 in the US, compared with the equivalent of \$3.30 in Germany and \$4.34 in Japan.

In the short run, as this week's events have shown, foreign exchange markets pay little attention to such issues as the relative prices of consumer goods. Capital flows and investor sentiment, both of which sometimes tend towards panic, often override fundamental value.

Although the past week has lacked some of the drama of the 1992-93 crisis in the European exchange rate mechanism, the turmoil has been on a wider front. The dollar has joined several European currencies, including sterling, in reaching all-time lows against the D-Mark. But while the US currency has also dropped to a post-war low against the yen, it has strengthened against the currencies of its main trading partners, the Mexican peso and the Canadian dollar.

Exchange rates are an expression of the value of two currencies, not just one: the recent turmoil has been caused by the strength of the D-Mark and yen as much as by the dollar's weakness. But the focus has been on the dollar, as the world's most heavily traded currency.

Its trouble can be traced to the Mexican crisis in December. The \$20bn US aid package following the collapse of the peso left markets with the impression that the US would pick up the tab for the problems of its southern neighbour.

It also marked a turning point in bringing home the dangers of investing in high-risk areas, particularly countries with high current account and budget deficits. In the early 1990s, said Mr Nick Knight, analyst at Nomura, investors followed the "Star Trek" strategy of boldly going where no man had gone before. This year, global investors are really concerned with avoiding risk. The D-Mark has benefited because of the Bundesbank's long-term reputation as a stable bulwark against inflation.

D-Mark strength has been bolstered by a shift in market expectations about the direction of US and German short-term interest rates. Encouraged by the view that the American economy is slowing, US rates are seen as being close to a peak. The German economy, however, is growing much faster than anticipated, leading investors to expect that the Bundesbank's next move will be to raise rates. In the short term, higher interest rates often attract depositors to a currency.

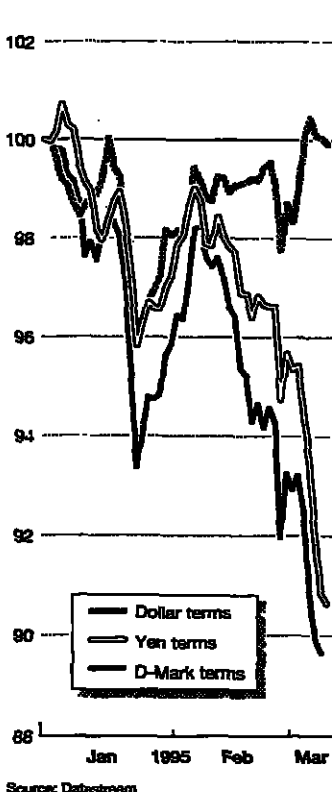
The political uncertainties and financial problems of an array of European countries, including Italy, Spain, France and the UK, has further encouraged investors to seek refuge in the D-Mark. That was

Dollar at bargain basement prices

Philip Gawith and Philip Coggan assess why the US currency fell and explain who has gained and lost from the turbulence

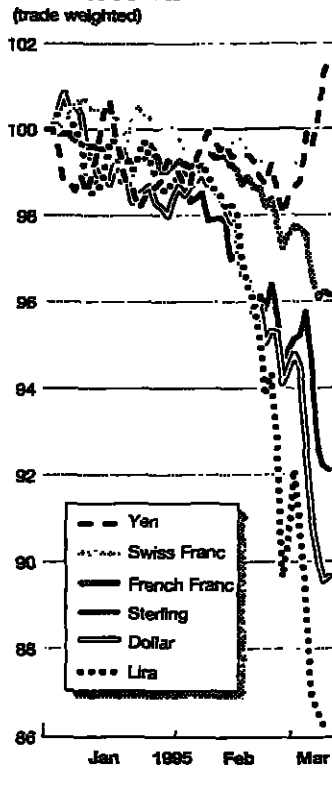
World markets: the flight from risk

FT-A World Index



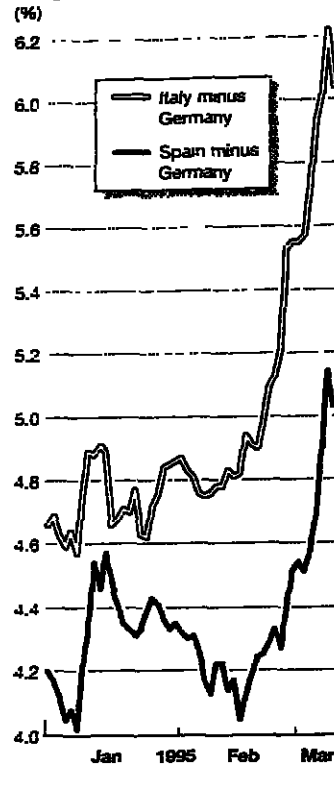
Source: Datastream

Indices relative to the D-Mark (trade weighted)



Source: Datastream

Long bond yield differential (%)



Source: Datastream

illustrated last weekend by the devaluations of the Spanish peseta and Portuguese escudo, respectively by 7 per cent and 3½ per cent, within the European exchange rate mechanism.

The two devaluations came immediately after the failure of concerted intervention by 17 central banks on March 3 to support the dollar. The banks acted after the US balanced budget amendment had failed to pass the US senate and rumours about large-scale sales of US assets by Japanese investors had prompted heavy dollar selling. The inability of the central banks to stem the dollar's decline, either through intervention or via supportive statements, and the two devaluations, were the trigger for this week's turmoil.

While Mexico was the immediate catalyst for the dollar's fall, the US currency also suffers from the deeper problem of a long-running current account deficit.

Furthermore, in recent years, US pension and mutual funds have tended to diversify their assets by investing in overseas equities and currencies. They have sold dollars to buy assets denominated in foreign currencies. The effect of these two trends has been to increase the supply of dollars, relative to demand, driving down the price. In addition, overseas holdings of dollars have been increasingly in

the form of short-term deposits, making the US currency vulnerable to sudden changes in sentiment.

To the person on the Clapham omnibus or the Tokyo-Osaka bullet train, the turmoil in the markets often seems remote and of little importance. But the following are affected:

● Tourists and shoppers - a hotel room in Florida costs a German couple about 20 per cent less in

To most people, the turmoil in the markets often seems remote and of little importance

D-Mark terms than a year ago. This week, German tourists were reported to be buying dollars in 15 times the normal volume at one Munich bank. And while US tourists may find European holidays more expensive, trips to Mexico will be cheaper.

For UK tourists, it is now more expensive to visit most European countries and Japan, but cheaper to travel to the US and dollar bloc countries. German and Dutch shoppers should find profitable opportu-

nities for bargain-hunting in neighbouring countries with less buoyant currencies.

● The US economy: Mr Carl Weinberg, chief economist at High Frequency Economics in New York, says the weaker dollar is "good for America. It's good for us guys." The increased competitiveness of US goods in Europe will be a welcome antidote to the fall in US exports to Mexico and Canada, its main export markets, that will follow the greater falls in their currencies.

● The Japanese economy. While Japanese exports have diversified into Asia, and are less dependent on the US economy than in the mid-1980s, it is possible that the yen's strength, added to the effects of the Kobe earthquake, could halt the faltering recovery.

● Citizens of high debt countries such as Spain and Italy. The difference between government bond yields in indebted countries and those in Germany has widened substantially in recent weeks. When yields rise, the cost of government borrowing increases, making it even more difficult to tackle the budget deficits without substantial cuts in public services.

● International investors. Wall Street has been fairly strong this year, with the Dow Jones Industrial Average passing the 4,000 mark. However, most world stock markets have been weak: in Paris, the

CAC-40 index dropped to its lowest level since December 1992, while emerging market indices have been badly battered by the fall-out from Mexico. The FT World Index of shares looks stable in dollar terms this year, but only because the US currency has been so weak. A yen or D-Mark based investor in the index has suffered losses of about 10 per cent so far this year.

Are any of these problems sufficiently serious to require, or expect, an official response? One of the factors behind recent dollar weakness has been the market perception that nobody cares sufficiently to take action. The Clinton administration is still identified with the weak dollar policy of its first two years in office - designed to lower its current account deficit with Japan. The US Federal Reserve has no tradition of raising interest rates to help the dollar. Recent Fed utterances have reinforced the view that domestic economic considerations remain paramount.

A similar domestic focus is apparent at the Bundesbank. It remains committed to a strong D-Mark as a central pillar of its anti-inflationary policy, and has shown little inclination to cut interest rates to help foreign governments, especially when it believes such countries must first put their own houses in order.

The Bank of Japan, however, has been much more vocal in its protests about the effects of the stronger yen. Japanese companies have increasingly been sitting plants abroad in response to the yen's appreciation. One way of weakening the yen would be to cut Japanese interest rates. However, the Japanese authorities are nervous about doing so for fear of repeating the mistakes of the mid-1990s when excessively loose monetary policy led to an asset price bubble.

The alternative approach would be sustained foreign exchange intervention: selling yen to buy dollars would loosen policy by boosting the amount of yen in the domestic economy. However, as recent events have shown, foreign exchange intervention is notoriously unsuccessful in moving markets in the absence of supportive economic policy changes.

Many observers believe the US dollar's long-term structural decline, and the problems of European countries such as Spain and Italy, can be arrested only by policies that address their budget and current account deficits. Considerable doubt remains as to whether the political will exists to take on these tasks.

In the shorter term, the best hope seems to lie with the Fed. Some analysts think that the Fed will be forced to raise rates because the lower dollar will add to US inflationary pressure. In any case, signs of continued economic strength may yet persuade the Fed to act, especially if the February inflation and retail sales data - released next week - show signs of inflation or economic buoyancy.

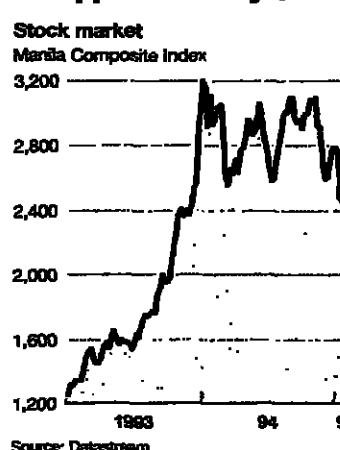
Higher US rates, by boosting the dollar against the D-Mark, might take the pressure off the weaker currencies in Europe. It could also help bond markets to rally by soothing inflationary fears.

However, even without a Fed rate rise, the enthusiasm to buy the dollar shown this week by Japanese and German consumers may signal that the markets have gone too far, and the turning point could be in sight.

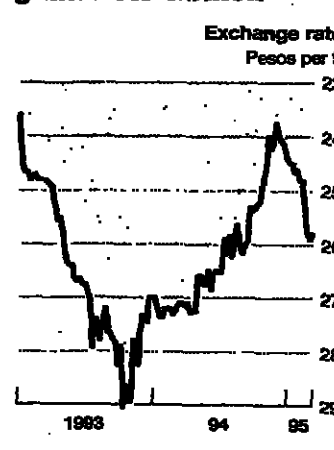
Edward Luce on Philippine efforts to stave off the 'tequila syndrome'

A very different sort of peso

Philippines: hit by emerging markets turmoil



Source: Datastream



Source: Datastream

"Our aim is to allow the peso to achieve its natural market-determined rate but we will act to curb excessive speculative fluctuations," he said.

Adding to pressures on the government, several economists predict the Philippine trade deficit will rise by 25 per cent in 1995, leading to possibly drastic penalties on the foreign exchange markets. "If the trade gap reaches \$10bn the currency could depreciate massively," says a recent paper by Asia Equity Securities, a regional brokerage house.

Government officials point out that Philippine imports - in contrast to Mexico's consumer-driven deficit - are largely made up of capital equipment and raw materials, reflecting the country's growing industrial export base. They add that the Philippine current account deficit, at 4.5 per cent of GNP, is about half the level of the Mexican deficit last December.

Mr Fidel Ramos, the Philippine

president, is on a European tour for what he calls "economic diplomacy" - persuading foreign investors the Philippines is finally embarked on a serious reform programme after years of corruption and mismanagement. "New anxieties and doubts have surfaced about emerging markets," he told Dutch executives in Amsterdam. "I ask you to open your minds to the fact that in two and a half years we have substantially changed the economic environment for the better."

But government critics argue that economic recovery over the past three years - the much-vaunted march of the "tiger cub" towards newly-industrialised country status - is by no means secure, and that the Philippines could easily fall back into its old instability. The central bank should therefore engineer a rapid depreciation of the peso, they say, before the economy goes the same way as Mexico.

Alarmed that criticisms of the central bank's defence of the peso could become self-fulfilling and lead to a Mexican-style collapse of the currency, government supporters have hastened to correct popular misconceptions.

central bank's defence of the peso could become self-fulfilling and lead to a Mexican-style collapse of the currency, government supporters have hastened to correct popular misconceptions.

"I have yet to hear a serious or respected economist argue that there is a parallel between the Philippine and Mexican economies," says Mr Howard Handy, Manila representative of the International Monetary Fund, which approved a \$650m, three-year credit facility for the Philippines last June. "The Philippine economy is in good shape and looks set to improve."

Annual inflation in the Philippines has fallen sharply to 5.1 per cent in February from more than 9 per cent last year, while the budget surplus of 1.2 per cent of GNP last year (admittedly boosted by privatisation proceeds) would place the economy ahead of most European Union countries trying to meet the Maastricht convergence criteria for a single EU currency.

Only 25 per cent of Philippine government external debt is held in short-term maturities, indicating the debt is manageable. Annual debt-service obligations, at 16 per cent of export earnings, are half as burdensome as those of Mexico. Manila's high-performing stock exchange has also been relatively steady. The index rose by 133 per cent in 1993, and came out of last year's emerging markets decline in better shape than many competitors; the index fell only 13 per cent last year, and has again dropped 13 per cent this year.

But the Philippines is not immune to the kind of currency market volatility that has shaken stronger economies elsewhere.

Only the most bullish economists express any certainty that the Philippines - or other developing economies such as Argentina and Indonesia - will emerge from the continuing "flight to quality" unscathed.

"While it is no problem for me to say that the Philippine economy is sound," says the IMF's Mr Handy, it would be impossible to predict what market psychology might dream up next. Look at the US dollar."



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THE FT INTERVIEW: Douglas Hurd

Measured punches within the EU

Douglas Hurd's palatial office, a splendid relic of Britain's imperial past, appears a haven from the squalls that have been buffeting John Major's government. Nothing, however, is further from the truth.

Mr Hurd, as the minister responsible for establishing UK policy for next year's inter-governmental conference (IGC) on the future of the European Union, has been at the heart of the storm over EU policy which threatens to tear apart the government.

If that were not enough to induce a fit in most ministers, the foreign secretary has also unleashed the potential for a Foreign and Commonwealth Office revolt, by initiating a review of the way the UK government uses its resources "in the world" – a scrutiny of everything from ambassadorial representation to the BBC World Service.

But in his aloof detachment, Mr Hurd – an old Etonian – is a bit of a throwback to the Conservative party's patrician, "one nation" past. He surveys the rich assortment of dilemmas with a donnish good humour.

There is only one issue – the war in the former Yugoslavia – on which he even suggests pessimism. While he suggests that the basis for a settlement may exist in Croatia, on Bosnia he says: "I am more worried. We have not yet got the peace process going in a

way that is hopeful."

Mr Hurd is surprisingly sanguine when discussing the process of formulating a policy on the EU behind which the Conservative party can unite. "We have a problem in the parliamentary party [on European policy] and a problem among Conservative activists," he says. "But speaking as the member for Witney [near Oxford] – and not as foreign secretary – I should point out I have had 2,000 letters on education this year and about 10 on Europe."

"I hope that we can now have a bit of a pause [in the party war]," he says. "We have no particular European legislation we need to get through, ... no particular reason why we should have any great tumult over the next few months."

The next important event in the European calendar is the Cannes summit of EU leaders in June. Mr Hurd hopes that, by then, the government will have worked out its negotiating position for next year's IGC.

That could be the trigger for the next great battle inside the Tory party, since – according to Mr Hurd – the prime minister will need to give a thorough public airing to his IGC

proposals and seek parliamentary approval for them.

Mr Hurd is better placed than most ministers to carry off the miraculous feat of uniting the pro and anti-EU wings of his party. Though previously regarded as an EU enthusiast, he portrays himself as the champion of the status quo. "We will try to preserve the present architecture [of the EU], which actually suits us by and large," he says.

All the UK's IGC suggestions will share two aims: facilitating the enlargement of the EU – from 15 members to a possible 25, as the economic and political reform programmes pursued by eastern European countries bear fruit – while preventing any further transfer of national powers to EU institutions.

There is, however, a danger that, by tailoring a policy to keep the Tory party united, the UK may once again become alienated from the rest of Europe. And other governments, notably Germany's, believe that the UK's twin aims are incompatible.

There is, therefore, a risk that in the run-up to the general election, due by 1997, the UK government could be fighting a war on two fronts: inside the Conservative party and



Douglas Hurd, UK foreign secretary, portrays himself as the champion of the status quo

against other EU members.

To avoid this, the UK seems likely to spin out the IGC's proceedings for as long as possible – and to defer the thorniest questions until after the election. Mr Hurd says he "would not be surprised" if the IGC lasted two years.

On the separate – and poten-

tially most explosive – European question of whether sterling should join a single EU currency at the turn of the century, Mr Hurd and the prime minister have been pursuing a parallel policy of prevarication: not ruling it out, not ruling it in.

Mr Hurd fully expects this

stance to continue until after the next general election. He is convinced of Mr Major's determination not to bow to pressure from Eurosceptics to rule out participation in a single EU currency in the general election manifesto. "He [the prime minister] will hold to that, I'm sure," he says.

Compared with the tactics of his political enemies in the Conservative party, any opposition he meets from civil servants in his review of how the government uses its worldwide resources will appear tame. This review was initiated late last year and will reach an important milestone with an international conference later this month.

"What we are trying to do is sort out more clearly in our minds and the public minds what we mean when we say we are a European power with a global reach – what the global bit is," Mr Hurd says.

It is not a question of whether "we [the UK] are punching above our weight", but rather one of "measuring your weight, using the power which your weight gives you", he says.

Almost every method by which the UK secures influence in the rest of the world will be examined. That includes the BBC and broadcasting in general, the British Council, the use of British troops to train foreign armies, the teaching of foreign students at UK universities and the Department of Trade's promotion of British exports and technology.

According to Mr Hurd, there

are two objectives. One is to "get a little of the public's confidence back". He is concerned that support for the Foreign Office among the general public is "not what it could be".

The second aim is to ensure that "within the public sector ... resources are going in the right places". To that end, the Foreign Office is examining the costs of its worldwide operation. It is already eliminating 500 support jobs over three years.

But Mr Hurd expects the changes to be less sweeping than those achieved by the Treasury's recent internal review of its management structure. "Unlike most government departments, we have a system of permanent inspection, so we won't find people who have been just sitting doing the same thing for 20 years."

His tenure at the Foreign Office is a subject of speculation at Westminster. The Eurosceptics are trying to force him out, in the hope they can capture one of the high offices of state in recognition of what they see as their dominant position in the parliamentary party.

But like the master of an Oxford college who is contemptuous of a younger, brasher generation, Mr Hurd says he will go in his own time: "I am keeping my options open," he says. "I do not intend to be badgered out of office."

Robert Peston

Anyone professing surprise or dismay that Gerry Adams will soon add White House canopies to his US airline peanuts has not been looking at the escalating quality of the company the Sinn Féin leader has kept in America over the past 13 months.

On his maiden – and most controversial – visit last February, he was confined to the New York area and limited to 72 hours, talking on television but apparently meeting nobody of official consequence. In September, he not only conferred with a trio of middle level officials at the state department, but sat down to a private dinner with Nancy Soderberg of the national security council and Senator Chris Dodd, the influential Democrat from Connecticut. He was staying at the suburban house of Ethel Kennedy, widow of Robert, when Vice-President Al Gore telephoned to tell him that the US ban on official contacts with Sinn Féin had been lifted.

In December, he was inside the White House talking to Tony Lake, the national security adviser. He was also up on Capitol Hill shaking hands with Senator Bob Dole, the incoming majority leader, and Tom Foley, the outgoing speaker and one of the most staunch Irish-American supporters of UK policy in Northern Ireland. Next week he gets President Bill Clinton, if only in a crowd at a reception, and Newt Gingrich, the new speaker.

But if this can be seen as an inevitable progression, it has exacerbated tensions between Washington and London. When a senior administration official explained the Adams visa decision on Thursday, she was at pains to outline in some detail why the US had done so, adding, almost dismissively, that the British and Irish governments had merely been kept "informed".

On the surface, the US action seemed the clearest of relief to Sir Patrick Maynew, the UK minister responsible for Northern Ireland, who, while in Washington on Monday and Tuesday, had minced no words about the conditions that Britain would like to see imposed on Adams's next visit. He hoped that Adams would not be permitted to engage in fundraising and said that it would be "dismaying" to Brit-

Not all eyes are smiling

Jurek Martin on the dispute over Gerry Adams's US trip



Clinton (left) and Adams: will meet at a crowded reception

ish public opinion if he were photographed shaking hands "with the president of the greatest democracy on earth".

He added that Sinn Féin was inextricably tied to the IRA. Conspiracy theorists on both sides of the Atlantic have suggested that Sir Patrick's words should not have been taken at face value and that his most important message, also voiced here, was that the UK was prepared to soften the terms under which the decommissioning of IRA arms be laid on the negotiating table. Certainly that message – and Adams's positive response to it on Thursday – was the principal reason cited by the White House for giving him a three-month visa, with no fundraising restrictions and access to the highest levels of government in Washington.

Some go so far as to suggest an informal agreement whereby the UK is content to have the US draw the fire of British and Protestant outrage if it means that violence remains minimal and Sinn Féin is locked in to the peace process, ultimately dragging the IRA along.

The trouble with conspiracy theories is that no conspirator will own up to them while they are going on. And the dominant mood music now being played across the Atlantic suggests no orchestrated conspiracy, even if both countries are pleased with – and take credit for – the cessation of violence.

One senior diplomat said the different perceptions of how best to proceed in Northern Ireland were characterised by the UK's preference for a carefully calibrated, even small-scale approach, designed to keep the majority Ulster parties on board, and the more impulsive US willingness always to stretch ahead like elastic, to the next negotiating position. Sometimes the two nations seem to be proceeding in lockstep, demonstrated by the speedy US endorsement of the "framework" negotiating document, and sometimes, mostly over Adams, they are caught kicking each other.

Undoubtedly US ethnic politics come into it. The St Patrick's Day White House reception next Friday, ostensibly in

honour of John Bruton, the Irish prime minister, was looming as a potential embarrassment for President Clinton. Several prominent Irish-American groups and politicians had threatened to boycott the event if Adams were not invited. Their non-attendance counts far more than Ian Paisley's – indeed the invitations to Protestant leaders only went out by telephone after Adams had been told he would get one.

The White House freely admitted that the decision to allow him to engage in fundraising, barred on his last three visits, owed much to the intervention of Senator Edward Kennedy, who is influential in his own right as the most famous Irish-American. It also matters that Soderberg, a force on ethnic politics inside the administration, previously worked on his congressional staff. Adams's promise that no money raised would be used to buy arms was the necessary – and easy to give – condition.

But to say that US politics is dominated by Irish considerations or that the state of the "special relationship" with Britain is a major public policy concern is to stretch reality. On a generally slow news day, yesterday's US media generally gave the Adams decision decent but far from overwhelming coverage. It naturally dominated the Boston Globe and made the front page of the New York Times (though not at the top). Otherwise, it was confined to the inside pages and the second half of the network news broadcasts.

Gingrich, who has an opinion on almost everything, has displayed an unwillingness to get involved. He had no problems earlier in the week not inviting Adams to his St Patrick's Day lunch next Thursday because the White House, knowing Clinton would be there, had asked him not to. Within hours of the White House opening its doors to the Sinn Féin leader, the speaker, having cleared it with the administration, did likewise.

Still, the prospect of Adams shaking hands with Clinton before he does with John Major, the UK prime minister, is a powerful symbol of the US determination to remain involved in Northern Ireland. No US administration since the Troubles began in 1969 has dared to go so far.

The car radio is on and a commercial attracts your attention: it ends with a Freefone, or toll-free, number for more information. Short of risking a crash by reaching for a pen, your only option is to hope you can remember the number until the next set of traffic lights.

The task will be that much easier if the advertiser has deliberately chosen a memorable number, especially if it connects with the brand. One of the best-known examples of such a number is the 40 40 40 which Forte, the hotel group, prefixes in the UK with 0800 for business customers, and 0345 for leisure inquiries.

First Direct uses the number 24 24 24, underlining its 24-hour telephone banking service, and 252 252 is used by Atlantic Radio 252.

US listeners have an easier time: they do not have to remember as many numbers because they can also use the letters on telephone keypads to contact companies. For example, drinks group Coca-Cola can be contacted toll free on 1-800 GET COKE; American Express has 1-800 THE CARD.

The UK lost the opportunity to exploit the huge marketing potential of this "alphabetic" dialling when letters were scrapped on telephones a decade ago. Letters are being reintroduced but British Telecom's calculations calculate it will be into the next century before enough phones have them to make a US-style service worthwhile. But already some forward-thinking companies are bagging the most memorable letters.

Interest in Freefone and premium-rate marketing numbers has seen sharp growth internationally in recent years as companies have made efforts to improve customer loyalty by setting up "carelines" to deal with inquiries and complaints.

Public acceptance of doing business by phone, as, for example, clothing company Next Directory and First Direct in the UK have discovered, has also fuelled the trend towards using the numbers.

But the UK still lags other European countries and the US in offering a Freefone or cheaper rate opportunity for customers to get in touch. The use of the numbers in the UK has grown in seven years from



Calling on memory

Catchy telephone numbers are proving an important marketing tool, says Diane Summers

35m calls a year to 540m but still only 8 per cent of super-market goods offered Freefone carline numbers on their packaging in 1993, compared with 83 per cent in the US, 30 per cent in France, and 15 per cent in Germany.

In the absence of alphabetic dialling, companies' ingenuity is being stretched to deal with inquiries in the use of clever, or in BT's jargon, "golden" numbers. Some have obviously had a great deal of fun thinking up puns, although, in some cases, marks for effort probably outweigh marks for effectiveness.

Guardian Direct, the insurer which has an owl in its logo, uses 28 28 20 (too-whit too-whit too-whit); a music retail-

er's 123 123 has a nice beat to it; Eurotunnel's 35 35 35 could just about sound like a train; while the Royal Shakespeare Company's 23 00 (nought nought) 23 is probably too subtle to pass the car radio test.

Other organisations have gone for an easily remembered number with no particular link to the brand: for example, Scottish Widows, the life assurer has 6 7 8 9 10, and with different prefixes, insurer Prudential and Walt Disney's 000 000.

Clearly, the opportunities for companies to adopt sequential or highly memorable digits are limited by the availability of the numbers. Later this month two new sets of numbers will be up for grabs, when BT introduces premium rate

prefixes 0894 and 0897. Callers will be charged 35p on 0894, regardless of the length of the call, while 0897 calls will be charged at a rate of £1.50p a minute.

These new numbers are in addition to existing telemarketing numbers which are Freefone 0800, for which the caller pays nothing, and Lo-call 0345, which charges callers at local rates, no matter where they call from. Premium rate lines, which can yield income at the same time as fulfilling a marketing function, are 0891 and, new last month, 0990 which charges national long-distance rates to callers regardless of where they call from.

Mercury Communications, the UK's second-largest telecoms operator, has so far failed to win the argument that it should be allowed to use the same numbers for its services, allowing customers "number portability" when they change phone company. It has built up some of the same services, on a much smaller scale, using, for example, 0500 and 0645 which match BT's 0800 and 0345.

The selection of clever numbers is often part of a company's wider efforts to maximise the marketing potential of the phone. Forte, for example, wanted to develop a reservation system that exploited the fact that the group has more than 240 hotels in the UK. Reservations were centralised in Aylesbury, Buckinghamshire, creating a single contact point for customers. Business customers use the Freefone number, while leisure breaks are booked on the local-rate 0345 number. Since the system was introduced, Forte calculates its conversion of inquiry calls to actual sales has increased from 25 per cent to about 40 per cent.

Porsche Cars GB, the Porsche importers, wanted to develop independent of its dealer network, a database of potential customers. Focusing on existing Porsche 911 owners as the group most likely to buy the new 911 series, it set up an 0345 911 911 phone line, in addition to other promotional activities.

Consumers liked the ring of the new number so much that the company succeeded in contacting more than 4,000 out of 11,000 possible 911 series owners.

Surge of hope for animals

From Mr Jerry Emore Layne. Sir, Re Mr Alan Clark's article, "The last days of the meat trade" (March 4/5), there is a tremendous "surge" rather than a "cringe" of hope for the outrage in the UK against killing/slaughtering animals for their meat.

In the US the challenge to the injustices are fought, but the real winner is the wide spectrum of those who totally disregard the abuse and suffering of animals.

Where I live, deep in central Texas, the cattle business is brutal! The hours upon hours

that cattle are transported without water and in cold or hot, humid weather is terrible. Only one state – California – has introduced a law to prevent fallen, sick animals at stockyards and slaughterhouses from being dragged to their death or left in the cold and heat till they die.

We, many Americans, will continue to fight to stop the practitioners of cruelty. We must all understand that animals have hearts too.

Jerry Emore Layne, 2506 Hilltop Drive, #402, Waco, Texas 76710-1004, US

Barings: a gesture to bondholders

From Mr Stephen Crehan. Sir, It was the Singapore derivatives operation of Barings which last year was responsible for a quarter of the bank's entire annual profit on which bonuses of up to £55m are to be paid. Perhaps those employees distancing themselves from the Singapore operation in order to retain their jobs should distance themselves from that element of the bonus (say, 25 per cent) attrib-

utable to that operation. A fairer use for this £25m may be to repay more to the hard-done-to bondholders who are set to lose up to £55m on what was a AAA-rated loan. I am sure employees can take an exultation on a bonus of what is about 70 per cent more than the average UK citizen's total annual wage.

Stephen Crehan, 69 London Road, Twickenham, Middx, UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'line'). Translation may be available for letters written in the main international languages.

Littlechild: the price of industry regulation

From Ms Ruth Evans. Sir, If it has achieved nothing else, the decision by Professor Stephen Littlechild, the electricity industry regulator, to reopen last summer's review of electricity prices has undermined the complacency which had existed in the industry.

Just as the Trafalgar House bid for Northern Electric revealed to the regulator the full scale of the financial resources available to the regional electricity company, the threat of tighter price controls has led all the regional companies to admit there is scope for more generous rebates to consumers than have been offered so far ("Electricity companies consider £50 rebate for customers", March 10). The National Consumer Council has been saying this for some time.

The companies' response is clear evidence, if any more

were needed, that Professor Littlechild was right to take a second look at electricity price controls, regardless of the timing of the announcement. Regional electricity companies are monopoly suppliers of an essential service. It is vital that the regulator intervenes if there is evidence to suggest the companies' captive consumers are facing excessive charges.

The regulated utilities can learn a simple lesson from this week's events. The risk of regulatory intervention is a problem only for companies which do not give a fair deal to their captive consumers.

Ruth Evans, director, National Consumer Council, 20 Grosvenor Gardens, London SW1W 0DE, UK

ports to have sought advice on in connection with Professor Littlechild's bombshell ("Major says legal advice sought before power sale", March 10), one fact is indisputable. The knowledge that he or his department had of the possibility of this announcement and its content was material to the valuing of the shares. This would, without doubt, have been a vital factor in the calculation of the price that the institutions were prepared to bid.

In my world, non-publication of such material information in circumstances such as this would merit an immediate Stock Exchange inquiry and a possible charge of trading with insider information.

At the least, the government could admit to gross stupidity and at best could make a tangible effort to redress the injustice. Mr John Cobb (Letters, March 9) was quite right stat-

ing that Professor Littlechild should reconsider his position. So should the government, without delay. James Buckley, chairman, Cave & Sons, stockbrokers, Lockgates House, Rushmills, Bedford Road, Northampton NN4 7YB, UK

From Mr Paul Sandler. Sir, Sabotage or gross naivete on the part of Professor Littlechild (Mr H Hornsby, Letters March 8) indeed. How can we possibly trust a regulator who operates under the impression that power companies should be run for the benefit of anyone other than the shareholders and directors? It's a nice little share issue, if only those damn customers wouldn't interfere. Paul Sandler, 3/45 Compayne Gardens, London NW6 3DB, UK

Too early to judge results of Russian market reform

From Prof Richard Layard.

Sir, Martin Wolf and Chrystia Frelund ("The long day's journey to market", March 7) argue that in post-Communist countries privatisation is not that important, compared with liberalisation. As evidence, they point out that Russia has embarked on the most ambitious mass privatisation programme of all those countries. Yet, they claim, this "has not transformed the country's economy. By contrast Poland and Hungary have yet to launch mass privatisation programmes, but the genuinely private sector in these countries is larger".

Give us a chance. Poland and Hungary have been reforming twice as long as Russia. In Russia mass privatisation began only two years ago and most of it happened in 1994. It is far too early to judge the results. But, with 66 per cent of Russia's industry in mainly private hands, there are already signs of new dynamism. Managers now own around a third of shares in the typical firm, which gives them a powerful

incentive to maximise share-holder value, and restructuring is going ahead fast.

Moreover, Russia's factory managers have not "accumulated massive inter-factory debts, all the while counting on the government to bail them out". The average delay in paying suppliers is rather less than in western Europe; and most bailouts go to agriculture, coal or defence – and not to privatised industry.

The key fact about Russia is that gross domestic product is already rising – and lower inflation is on the way. Despite newsworthy ripples of crisis on the surface, there is a strong tide running towards a dynamic market economy, based heavily on rugged owner-managers. On top of this Russia has remarkable natural resources. The combination of rapid privatisation and ample resources makes it likely that in due course Russia will outstrip Poland. Richard Layard, London School of Economics, Houghton Street, London WC2A 2AE

CURRENCIES AND MONEY

MARKETS REPORT

Latin watch

Latin American markets were in the spotlight yesterday with the central bank of Brazil announcing that it had set a new foreign exchange rate band for the real against the dollar, writes Philip Gauthier.

The new band is 0.88/0.93 reals per dollar, compared to the old band of 0.86/0.90 reals. The new moves are aimed at stopping a run on the currency.

In Mexico, meanwhile, the peso rose by 80 centavos to finish in London at 6.65 pesos to the dollar, from 7.45 pesos following the announcement of an economic austerity package aimed at restoring flagging investor confidence.

Another important development in an emerging or re-emerging market was South Africa's long-awaited announcement that it planned to merge the commercial and financial rands on Monday.

Elsewhere the markets had another fairly calm day follow-

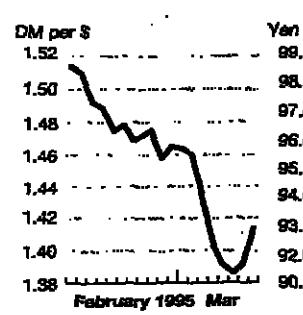
ing the volatile trading earlier in the week. The dollar had a surprisingly muted response to the stronger than expected jobs report. It traded in a fairly narrow range after the numbers were released to finish at DM1.4145, from DM1.3904, and at ¥91.34, from ¥90.515.

Sterling lost ground in late trading, for no obvious reason. It closed at DM2.2927, from DM2.2505, at ¥153.11, from ¥151.88. The move appeared to

be driven by investment bank selling in New York. The dollar cross mostly on the dollar cross. The D-Mark rate was marked down without there being much trade.

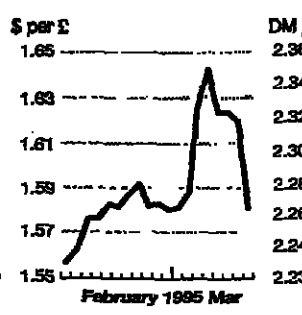
The Bank of England cleared a \$350m money market shortage at established rates.

Dollar



Source: Datastream

Sterling



There was some good news for the dollar from a chart perspective. Mr Brian Marber, a technical analyst, said there was enough evidence to suggest that the dollar might have reached lows against the D-Mark, sterling, Swiss franc and yen which would last for some considerable time, meaning 'weeks, if not months'.

In terms of the payroll data, analysts said they did not provide the Fed with any fresh reason to raise rates.

Perhaps more interesting for

markets were developments in Latin America. Mr David Cocker, economist at Chemical Bank in London, said: 'The region is beginning to be perceived as the Achilles heel of the dollar.'

A measure of the current confusion reigning on foreign exchange can be gleaned from the fortnightly survey by IDEIA, the financial markets consultancy.

Asked what end of year levels they see for dollar/D-Mark and Sterling/D-Mark, respon-

dents' estimates range massively between DM1.35-DM1.75, and DM2.00-DM2.80 respectively.

The survey also found that the D-Mark is expected to remain the strongest currency in the month ahead. The favoured currencies on the sell side are the peseta and the French franc. The overall message was that respondents are unconvinced that the last of the turbulence has been seen.

South Africa's decision to merge its currencies was welcomed by observers as a con-

siderable vote of confidence by the authorities in the country's ability to fight its weight in international capital markets.

Analysts said that there was clearly confidence that Wednesday's budget, the first drawn up by the new government, would be well received. Early indications are that the unified currency will open around R3.70, compared to R3.65 where the commercial rand closed in Johannesburg on Friday. The discount had shrunk to 2.9 per cent ahead of the announcement.

POUND SPOT FORWARD AGAINST THE POUND

Mar 10		Closing mid-point	Change on day	Bid/offer spread	Day's high low	One month %pA	Three months %pA	One year %pA	Bank of England index	
Europe										
Austria	(Sch)	15.7457	-0.0083	355 - 556	15.9856 15.7020	15.7332	0.9	15.6995	1.2	108.1
Belgium	(Bfr)	46.3200	-0.487	759 - 280	46.5940 46.1790	46.277	0.8	46.312	-0.1	108.8
Denmark	(DKr)	6.9291	-0.1207	944 - 016	6.9103 6.9635	6.9336	-0.7	6.9606	0.3	107.8
Finland	(Fmk)	6.9270	-0.0138	665 - 775	7.0580 6.9490	-	-	8.9714	0.3	85.5
France	(FFr)	7.9615	-0.0547	588 - 642	8.0723 7.9459	7.9478	2.1	7.9284	1.8	108.3
Germany	(DM)	2.2368	-0.014	355 - 381	2.2732 2.2293	2.2338	1.6	2.2272	1.7	113.7
Greece	(Dr)	32.4178	-2.771	623 - 633	36.9179 36.0491	-	-	-	-	99.0
Ireland	(Ir)	1.0008	-0.0033	001 - 015	1.0058 0.9976	1.001	-0.2	0.9982	0.6	108.9
Italy	(L)	2049.55	-23.09	659 - 251	2063.04 2041.28	2058.55	-4.1	2067.31	-3.9	107.1
Luxembourg	(Lfr)	46.3200	-0.487	759 - 280	46.5940 46.1790	46.277	0.8	46.312	-0.1	108.8
Netherlands	(Gld)	2.1115	-0.0188	102 - 108	2.1434 2.1034	2.1053	1.6	2.1003	1.6	110.2
Norway	(Nkr)	9.9780	-0.0958	742 - 818	10.1353 9.9471	9.9799	0.1	9.9748	0.1	98.7
Portugal	(Esc)	235.574	-1.783	443 - 705	238.100 235.305	236.289	-3.6	237.974	-4.1	107.9
Spain	(Pts)	205.497	-1.392	372 - 423	208.279 205.141	206.982	-2.9	211.282	-2.2	108.6
Sweden	(Skr)	11.8676	-0.1113	772 - 980	11.7777 11.3619	11.3957	-0.2	11.3636	-0.2	114.053
Switzerland	(Sfr)	1.8688	-0.0051	678 - 697	1.8946 1.8642	1.8643	2.9	1.8556	3.0	108.2
UK	(£)	1.2198	-0.0106	188 - 203	1.2374 1.2187	1.2202	-0.5	1.2118	0.2	113.1
ECU	-	1.04918	-	-	-	-	-	1.2126	0.6	-
Asia										
Argentina	(Peso)	1.5837	-0.0358	832 - 842	1.6128 1.5775	-	-	-	-	-
Brazil	(Cru)	1.3840	-0.0403	913 - 964	1.4263 1.3782	-	-	-	-	-
Canada	(C\$)	2.2248	-0.0049	297 - 285	2.2689 2.2161	2.2281	-1.9	2.233	-1.4	80.6
Mexico	(New Peso)	10.5181	-1.544	566 - 765	11.8203 10.3550	-	-	-	-	-
USA	(S)	1.5814	-0.0374	810 - 817	1.6105 1.5750	1.5809	0.4	1.5798	0.4	91.6
Asia/Middle East/Africa										
Australia	(A\$)	2.1212	-0.0036	193 - 231	2.1244 2.1182	2.1235	-1.3	2.1226	-1.4	154.3
Hong Kong	(HK\$)	12.2259	-0.2883	224 - 294	12.5146 12.1776	12.2261	0.0	12.224	0.0	12.226
India	(Rs)	5.7759	-0.1108	651 - 864	5.9150 5.7004	-	-	-	-	77.1
Israel	(Sh)	4.7426	-0.0703	372 - 478	4.8099 4.7280	-	-	-	-	98.0
Japan	(Y)	144.282	-2.244	187 - 378	147.000 143.760	143.752	4.4	142.617	4.4	158.4
Malaysia	(M\$)	4.0364	-0.0883	339 - 389	4.1044 4.0218	-	-	-	-	-
New Zealand	(NZ\$)	2.4447	-0.0063	428 - 456	2.4485 2.4242	2.4506	-3.0	2.4616	-2.8	158.4
Philippines	(Peso)	40.7989	-1.079	736 - 842	41.2550 40.4728	-	-	-	-	-
Saudi Arabia	(Riyal)	5.9307	-0.1044	291 - 322	6.0397 5.9070	-	-	-	-	-
Singapore	(S\$)	2.2487	-0.0438	466 - 508	2.2819 2.2412	-	-	-	-	-
S. Africa (Cont)	(Rand)	5.7759	-0.0704	707 - 811	5.8571 5.7566	-	-	-	-	-
S. Africa (Fin)	(Rand)	5.8431	-0.2841	623 - 859	6.0909 5.8010	-	-	-	-	-
South Korea	(Won)	1234.96	-33.77	460 - 531	1263.21 1230.08	-	-	-	-	-
Taiwan	(NT\$)	41.2808	-0.9827	461 - 574	42.0108 41.1225	-	-	-	-	-
Thailand	(Baht)	39.2175	-0.8683	851 - 859	39.9098 38.8464	-	-	-	-	-
BSE BSE scores per Mar 6. Bid/offer spreads in the Pound Stock table show only the first three decimal places. Forward rates and interest rates are not directly quoted by the BSE and are for information only. In the US Dollar table, the bid/offer spread is shown in the first column. Sterling values calculated by the Bank of England. Base averages 1990 = 100. Index released 16/06/95. Bid Offer										
Source: Reuters, Bank of England, Bank of New York, Bank of Tokyo, Bank of Montreal, Bank of America, Bank of Canada, Bank of France, Bank of Germany, Bank of Italy, Bank of Japan, Bank of London, Bank of Mexico, Bank of New York, Bank of Paris, Bank of Spain, Bank of Sweden, Bank of Switzerland, Bank of the Netherlands, Bank of the United States, Bank of the United Kingdom, Bank of the United States, Bank of the United										

Source: Reuters. All rates are for the London market. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index retained 1995. Bid, Offer and Mid-rates in both the Dollar and Dollar Spot tables derived from the WIRETRANS CLOSING SPOT RATES. Some values are rounded by the F.T.

CROSS RATES AND DERIVATIVES

Mar 10	Bfr	DKr	FFr	DM	£	Y	Y	Y	Y
Belgium	(Bfr)	10.19	18.43	17.20	4.832	2.192	5.274	5.425	21.55
Denmark	(DKr)	51.46	10.19	8.849	2.486	1.113	2945	2.792	11.09
France	(FFr)	18.43	11.30	10.19	1.257	3.395	12.58	2.868	22.81
Germany	(DM)	20.70	4.022	3.559	2.238	1.447	1185	1.123	4.480
Ireland	(Ir)	46.25	8.989	7.954	2.238	1.447	1185	1.123	4.480
Italy	(L)	47.426	0.340	0.300	0.084	0.038	1.00	0.095	0.777
Netherlands	(Gld)	18.43	3.582	3.170	0.891	0.398	1055	1	3.972
Norway	(Nkr)	46.25	0.918	0.780	2.242	1.003	2656	2.518	10.2
Portugal	(Esc)	19.65	3.819	3.379	0.849	0.425	1125	1.085	4.258
Spain	(Pts)	22.53	4.739	3.674	1.089	0.487	1290	1.222	4.855
Sweden	(Skr)	40.7989	0.900	0.690	1.964	0.879	2327	2.205	8.780
Switzerland	(Sfr)	24.77	4.814	4.250	1.197	0.536	1418	1.344	5.339
UK	(£)	1.2198	0.285	0.250	0.223	1.001	2840	2.812	10.7
Canada	(C\$)	50.81	4.044	3.576	1.005	0.440	1191	1.129	4.484
Japan	(Y)	23.29	5.891	5.038	1.415	0.633	1675	1.580	6.111
USA	(S)	32.09	6.236	5.518	1.250	0.694	1838	1.741	6.815
Euro	(€)	37.35	7.375	6.526	1.834	0.820	2172	2.059	8.179

Source: Reuters. All rates are for the London market. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index retained 1995. Bid, Offer and Mid-rates in both the Dollar and Dollar Spot tables derived from the WIRETRANS CLOSING SPOT RATES. Some values are rounded by the F.T.

D-MARK FUTURES (MM) DM 125,000 per DM

Mar	Open	Settle	Change	High	Low	Est. vol	Open int.
Mar	0.7120	0.7048	-0.0072	0.7125	0.7048	12,225	58,086
Jun	0.7180	0.7079	-0.0101	0.7182	0.7080	42,078	54,702
Sep	0.7100	0.7105	-0.0005	0.7130	0.7100	385	1,406

JAPANESE YEN FUTURES (MM) Yen 12.5 per Yen 100

Mar	Open	Settle	Change	High	Low	Est. vol	Open int.
Mar	1.0990	1.0945	-0.0045	1.0990	1.0900	13,202	44,885
Jun	1.1175	1.1082	-0.0093	1.1182	1.1000	39,895	54,788
Sep	1.1165	1.1180	-0.0015	1.1215	1.1165	566	2,433

STERLING FUTURES (MM) £500,000 per £

Mar	Open	Settle	Change	High	Low	Est. vol	Open int.
Mar	1.6078	1.5880	-0.0200	1.6078	1.5850	4,420	34,022
Jun	1.5880	1.5820	-0.0060	1.5880	1.5800	10,804	22,975
Sep	1.5900	1.5850	-0.0050	1.5900	1.5850	41	128

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Mar	Open	Settle	Change	High	Low	Est. vol	Open int.
Mar	93.18	93.15	-0.03	93.18	93.12	16,786	86,178
Jun	92.36	92.33	-0.03	92.40	92.30	30,820	80,400
Sep	91.80	91.86	-0.06	91.92	91.84	10,844	55,133

THREE MONTH EURO DOLLAR (LFFE) \$1m points of 100%

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Mar	Open	Settle	Change	High	Low	Est. vol	Open int.
Mar	93.18						

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Money Market Trust Funds

	Spent	Net	Gross CAR	Net
CAF Money Management Co Ltd				
48 Parkway Road, Tonbridge TN11 2JD			01732	701
Calcraft Deposit Fund	5.00	-	6.20	3.80
Deposits Over £1 million	0.16	-	0.21	0.05
Deposits Over £2 million	0.23	-	0.41	0.18
The CAF Charities Deposit Account				
2 Pore Street, London EC2P 2AG			0171-588	188
Deposit	5.00	-	6.74	1.74
Cent. Bd. of Fin. of Church of England				
2 Pore Street, London EC2P 2AG			0171-588	188
Deposit	5.00	-	6.74	1.74

Money Market Bank Accounts

	Stock	Mkt	CST	Ind
Allied Trust Bank Ltd				
28 Doregate Hill, London, EC4A 2NT			(071-652) 06	
FOMBA (22,001+)	6.54	4.90	6.54	Yest
FRANCO (22,001+)	5.88	4.58	5.88	Yest
TREKIA (22,001+)	6.46	4.29	6.46	Yest
GMBIA (22,001+)	5.33	3.89	5.33	Yest
HICA (22,001+)	4.00	3.00	4.00	N
PSCA (22,001+)	4.00	3.00	4.00	N
PRIME TIERISA	6.67	5.15	6.67	Yest
SABSA (22,001-25,000)	6.70	5.62	6.70	Yest
SABA (22,000+)	5.88	5.22	5.88	Yest
American Express Bank Ltd				
Canter House, Singapore HS 1915 BAO			(0444 220)	

MANAGEMENT SERVICES

	Selling Price	Buying Price	+ or -
Capital Trust Financial Management			
8-10 Brook St., Columbus Co., Lumbardville			01285
Investment Portfolio	200.8	211.5	—
Executive Position	157.4	185.7	—
Managed Growth	715.0	120.0	—
DBS Financial Management Ltd.			
Independence Hse., Holy St. Rd., Middlebury			01484
DBS Financial Portfolio			
Adventures	82.5	85.0	+1.5
Balance	82.1	86.0	+3.9

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WORLD STOCK MARKETS

AMERICA

Dow takes comfort from wages

Wall Street

US share prices surged well past the 4,000 mark in morning trading yesterday as investors looked past stronger than expected employment figures and took comfort in nearly flat hourly wages, writes Lisa Brannen in New York.

By 1pm the Dow Jones Industrial Average was up 44.26 at 4,027.65, while the Standard & Poor's 500 gained 5.40 at 488.81. The American Stock Exchange composite rose 2.02 at 453.52. Meanwhile, the Nasdaq composite rose 4.31 at 800.55. Trading volume on the NYSE was 230m shares.

Early in the day, the Labor department reported that non-farm employment had risen by 315,000 jobs in February and that the unemployment rate had fallen to 5.4 per cent from 5.7 per cent in January.

Yet in spite of the strong employment figures, average hourly wages were unchanged

from January levels.

Mr Anthony Conroy, head of equity trading at Bankers Trust, said the fact that there was no change in wages in the face of an increasingly competitive employment market boded well for continued corporate earnings growth. He added that the steady wage figures suggested that the economy might be slowing without another interest rate increase.

But many economists continued to expect more monetary tightening. Ms Marilyn Scholz of Donaldson, Lufkin & Jenrette said that while the Federal Reserve would not be likely to raise rates in March, it might in May. She called the low employment rate "a harbinger of a future inflationary threat."

While economists may have been divided about the meaning of the data, the markets were not. Immediately after the figures were released, the long bond price dropped by nearly half a point, but it

began to rise once the wage figures were released. In the early afternoon the long bond was up nearly a half point to yield at 7.474.

Another factor propelling stocks higher was a rising dollar. For the first time in several days, the dollar rose against both the D-Mark and the Japanese yen.

Among the biggest gainers in the Dow were Aluminum Company of America, up 2% at \$38, Coca-Cola, 1% at \$24, and Walt Disney 1% at \$53.

Chicago and North Western Transportation jumped more than 30 per cent, rising 34% at \$34, after Union Pacific said that it would buy the railroad company for \$35 a share. Union Pacific was up 1% at \$51 on the news.

Borland International was 2% higher at \$94 after a court overturned a ruling against the company that might have required it to pay as much as \$100m to Lotus Development. Lotus was up 1% at \$43.

American depositary receipts of Mexican companies rose strongly after the government announced a stringent economic plan to deal with the country's financial crisis. The benchmark Telefonos de Mexico gained 3% at \$27 and Grupo Televisa was up 1% at \$14.

Canada

Toronto broadened its recovery, transport leading gains in 12 of the 14 sectors as the TSE 300 composite index rose 13.6 to 4,160.60 at midday in 23.5m shares valued at \$359m.

The airline operator, Air Canada, rose 1% to \$27.40, after the company announced that it would be winning the coveted Hong Kong route, and Laidlaw & Laidlaw topped active stocks with a rise of 3% to \$11.

Deriva, the software group, rose by another 3% to \$23.24, following after Thursday's gain of 3% on its acquisition of CRS Online, a private electronic bulletin board service.

Brazil up 15% on new measures

Sao Paulo surged 15 per cent in midday trade as investors welcomed new government measures to stem the outflow of foreign capital and attract foreign investment.

The Bovespa index was 3,300 higher at 24,583 in turnover of \$128.6m (\$143.7m).

The index, which rose sharply in immediate response to the measures, took a second jump at midday when investors learned that the government was to remove a 1 per cent tax on foreign investments in the market. There was criticism, however, of the timing of the announcement during mid-morning trading.

A Garantia analyst said: "All the confusion of the past week was caused by the central bank, not by fundamentals." The government's credibility had been damaged he said, and the same effect could have been achieved at much lower cost.

Iberian markets' morale shaken by devaluations

David White and Peter Wise discuss Spain's crisis of confidence, and how contagion affects Portugal

Devaluation of the Spanish peseta and the Portuguese escudo damaged morale in the Iberian stock markets this week.

The impact of last weekend's move was particularly bad in Madrid, which spent the week jittery by continuing currency and fresh instalments in Spain's ongoing saga of corruption allegations. The general index lost 5 per cent over the week, after ending three successive days at new lows for the year.

By the end of the week few brokers would hazard guesses as to when the selling might stop, even though it is widely believed that Spanish shares are now undervalued. The index is now some 25 per cent below its historic peak level of early 1993. "I do not know where the bottom is," says the head of one brokerage.

The peseta's 7 per cent realignment within the European Monetary System's exchange rate mechanism might have been considered to enhance the attractiveness of Spanish equities. However, there has so far been no effective decline against either the US dollar or sterling.

"The cheaper market is not an argument," comments Ms Monica Morales at Societe Generale Valores. "The problem is one of confidence, and the confidence is below zero."

Impatience with what is seen as a long-drawn and painful final to 12 years of Socialist government - one factor behind the peseta's troubles - has dominated sentiment.

"When the dust settles there could be quite a lot of buying," says Mr Jose Luis Garcia, who account for an estimated 60 per cent of turnover on the Lisbon stock market.

"What matters is that investors still look with reluctance at the escudo and are afraid that the currency might be further devalued," says Mr Antonio Beck of Bankers Trust. "Portugal can't afford for its currency to appreciate strongly against the peseta, even though there may be eco-

nomic grounds for it to be a stronger currency."

In the long run, political events, the climate for emerging markets after the Mexico crisis and the pace of economic recovery are considered more important restraints on the potential growth of what has been one of Europe's best performing markets.

Lisbon outperformed every European market except Finland in 1994, when the INC index rose 7.3 per cent to 1,320.78. Even a five per cent drop since the beginning of 1995 compares favourably with many other European markets. But this performance has undermined Portugal's growth potential in relation to other previously depressed and cheaper markets.

"We expect the market to lack direction for most of 1995. Trading volumes will be relatively low and prices fairly flat," says Mr Emmanuel Figueiredo, an analyst with brokers Carnegie Portugal. "Any growth we see will come in the last quarter."

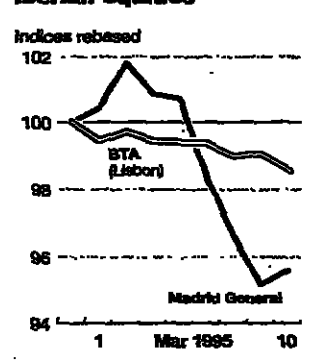
Portugal is considered a mid-priced market. Carnegie forecasts a prospective 1995 price/earnings ratio of 12.8 for a representative basket of Portuguese shares, compared with an estimated 17.9 in 1994. But the difference is due to sector to sector.

"Investors in Portugal have to be highly selective, not just of sectors but of individual companies," says Mr Mark Howard, a Madrid-based analyst with Singer & Friedlander.

Political uncertainty is expected to dampen enthusiasm for Portuguese equities in the approach to general elections in October. The main fear is that the ruling Socialist Democrats will win a strong enough majority to ensure stable government.

Locals hope global offers of holdings in Portugal Telecom in May and Portugal Industria, a paper pulp producer, will channel new funds into Lisbon and encourage foreign investors to take a closer look at the market.

Iberian equities



Source: Datamatrix

EUROPE

Paris bourse gains mask Canal Plus shock

Bourses had a better day but, after a bad week, the quality of their gains was questionable, writes Orla Kearney in Paris.

PARIS took heart from some encouraging corporate figures as the CAC-40 ended the day 16.03 higher at 1,743.10. Week-on-week, it was less impressive with a fall of 3 per cent.

The day's focus was the retail sector which benefited from a clutch of brokers' buy recommendations following encouraging figures from Carrefour and Promodes, the latter closing FF365 higher at FF366.

However, the market's rise masked a shock performance from Canal Plus. The pay television group's shares plunged FF117 to FF639 after an announcement that 1994 profits were down 47.9 per cent to FF626m, that the dividend was being cut and that there would be no profit rise this year. The news from Canal Plus hit Havas, which has a significant stake in the group and which fell FF74.20 to FF352.50. Elsewhere, Sanofi

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES									
	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2
FT-SE Europe 100	1222.88	1222.51	1224.52	1228.55	1234.16	1231.71	1231.87	1231.87	1231.87
FT-SE Europe 250	1514.28	1512.73	1514.89	1521.55	1524.16	1521.81	1521.81	1521.81	1521.81

	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2
FT-SE Europe 100	1222.88	1222.51	1224.52	1228.55	1234.16	1231.71	1231.87	1231.87	1231.87
FT-SE Europe 250	1514.28	1512.73	1514.89	1521.55	1524.16	1521.81	1521.81	1521.81	1521.81

Source: FT-SE Actuaries. Republish: 100 = 1222.88, 250 = 1514.28. London: 100 = 1222.88, 250 = 1514.28.

were mostly on the automotive sector where the outstanding performer, Volkswagen, recovered DM12.40 to DM35.40, still down nearly 10 per cent on the week.

MILAN remained clouded by politics and the Comit index dropped 13.20 to 855.09 for a 3.3 per cent fall on the week.

Geminia, the financial holding company, tumbled L110 or 9.5 per cent to L101 after post-bourse news of losses last year and plans to raise L1,500m through a rights issue and warrants.

Telecoms remained unimpressed by two consortia's offers to buy the state's stake in Stet and place the paper themselves. Stet lost another

L75 to L4.388. Benetton fell L737 or 4.8 per cent to L14,581 as two Italian banks began selling simultaneously amid worries about the company's profit margins.

ZURICH finished a hectic week steady, the SMI index rising 6.2 to 2,467.7 but still 4.6 per cent down on the week.

Brown Boveri gained another SF17 to SF1,077, still supported by ABB's strong 1994 results, but Holderbank, undermined by concern over economic developments in Mexico, lost SF28 to SF782.

STOCKHOLM's Affarsvarlden General index celebrated good news with a rise of 22.50 to 1,422.40 leaving it only 1.8 per cent down on the week.

Eriksens Bechmed SKR2 to SKR425 on a joint mobile phones venture with Deutsche Telekom; Sandvik, the engineer, by SKR2.50 to SKR222 on more than doubled profits; and Skandia by SKR4.50 to SKR124.50 after the insurer expanded voting rights limitations.

ISTANBUL registered yet another all-time high, the com-

posite index closing 837.38, or 2.5 per cent higher at 33,232.88, 10.1 per cent up on a week lifted by Monday's landmark customs union agreement between Turkey and the EU.

Written and edited by William Croxall, Michael Morgan and Peter John

SOUTH AFRICA

News of the government's long-awaited decision to scrap the financial rand came after the market closed, but the immediate response of the futures markets was to mark industrials up by 3 per cent and golds by 4 per cent.

Mr Greg Mackay at NatWest Markets said that, in the short term, the move should provide positive for equities since it would remove a major source of uncertainty for foreign investors. Speculation that the abolition was imminent made for slow trading in Johannesburg. The overall index rose 1.6 to 5,224, industrials lost 15.7 to 4,557.5 and golds added 22.9 to 4,655.

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ASIA PACIFIC

Nikkei down as dollar's fall hits region

Tokyo

With arbitrage-selling linked to the March futures contract settlement depressing share prices, the Nikkei index fell 2.4 per cent to a 15-month low, writes Emiko Terazono in Tokyo.

The Nikkei 225 index declined 404.70 to 16,358.38 after a high of 16,799.50 and a low of 16,258.13. Technical selling pushed prices down amid low investor confidence as the index recorded a fall of 1 per cent on the week due to the prolonged debate over the rescue of two ailing credit associations.

The Topix index of all first section stocks fell 18.79 to 1,322.96 and the Nikkei 300 dropped 3.34 to 243.94. Declines outnumbered advances by 785 to 235 with 138 issues remaining unchanged.

Volume totalled 699m shares against 265m previously. Half of the transactions were linked to the settlement of March futures contracts. The index lost substantial ground in the afternoon on heavy futures

selling on Simex, which prompted arbitrage unwinding. In London the FTSE/Nikkei 50 index rose 0.59 to 1,080.68.

Construction stocks lost ground as a result of profit taking. Sumitomo Construction, which had led the "reconstruction of Kobe" theme, became the most active issue of the day, falling Y48 to Y76. Elsewhere in the sector, Penta-Ocean Construction fell Y11 to Y770 and Shimizu Y26 to Y810.

Long-Term Credit Bank of Japan, the main creditor bank until 1993 for Tokyo Kyowa - one of the two credit associations planned to be rescued by the government - plunged Y72 to Y745.

In Osaka, the OSE average fell 257.12 to 18,498.28 in volume of 18.2m shares.

Roundup

Heavy falls in the US dollar hit most markets with Hong Kong, Manila and Bangkok suffering particularly badly.

HONG KONG ended sharply lower on sparse activity amid concerns over the US currency and interest rates ahead of the release of key US data. The

Hang Seng Index fell 127.4 points to 7,949.39 making a slide of 3.7 per cent over the week.

The market was keenly awaiting US employment data late on Friday and producer and consumer price indices expected on Wednesday and Thursday.

MANILA slumped for the sixth consecutive session as investors unloaded holdings in favour of fixed-rate instruments. The index closed 59.19 lower at 2,310.90 after threatening the 2,300 support level, down 7.1 per cent over the week.

BANGKOK ended sharply lower with large lots of bank shares changing hands. The SET index closed 25.47 off at 1,189.48 on turnover of B4,700m, ensuring a slide of 5.8 per cent over the week.

SINGAPORE closed lower with speculators liquidating positions ahead of the week's 30-share Straits Times Index. The 30-share Straits Times Index fell 9.48 to 2,061.28.

SEOUL ended a day of thin and mixed trading with the composite stock index adding 0.62 points at 944.37 - a 4 per

cent gain over the week. Kia Motors rose again on rumours that LG Group was interested in acquiring a stake. It added Won600 at Won13,500.

TAIPEI recovered from recent weakness but was expected to continue to test the 6,400 support level. The weighted index climbed 65.16 to 6,453.52, one per cent down on the week.

SYDNEY finished weaker as the S&P futures contract slipped in late trading ahead of the US employment data. The All Ordinaries index ended 8.5 lower at 1,868.9, down 1.8 per cent on the week.

WELLINGTON was also driven down on US worries. A continued rise in the shares of heavily-weighted Telecom was not enough to offset broad losses. The NZSE-40 Capital Index ended down 12.70 at 1,947.15, off 1.8 per cent on the week.

BOMBAY, however, rode high on hectic pre-budget buying despite mid-profit-taking towards the end. The 30-share Bombay Stock Exchange index ended up 56.22 at a provisional close of 3,529.28, flat on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL STOCK MARKETS									
	Index	US Dollar	Day's Change	Point	YTD	Local	Local	Local	Local
Australia (ASX)	161.07	0.0	147.51	92.18	116.43	144.38	-0.3	4.11	161.12
Austria (VSE)	151.39	-0.4	175.27	109.20	136.34	138.32	-0.1	1.17	175.27
Belgium (Euronext)	174.19	-1.0	159.52	96.86	125.91	124.10	-0.2	4.48	175.91
Brazil (B3)	86.08	-0.9	78.81	49.24	62.21	140.35	-0.0	2.42	78.81
Canada (TSX)	127.00	0.1	116.31	122.97	91.68	130.07	0.5	2.59	127.00
Denmark (CSE)	229.52	-2.8	224.92	146.77	131.73	185.42	-1.5	1.50	224.92
Finland (HEX)	126.24	-0.1	108.89	104.27	131.73	185.42	-1.5	1.50	108.89
France (CAC)	164.19	-1.3	150.37	93.54	116.89	127.54	-1.4	3.38	150.37
Germany (DAX)	151.00	-1.8	138.28	86.40	108.15	102.15	-1.0	1.95	138.28
Hong Kong (HSI)	332.14	-1.9	302.24	188.59	228.63	227.88	-1.8	4.04	302.24
Ireland (ISEQ)	71.50	-0.5	65.40	40.91	51.89	88.16	-1.5	1.77	71.50
Japan (Nikkei)	147.70	-2.5	136.18	85.08	107.49	85.08	-0.4	1.90	147.70
Malaysia (FTSE)	474.70	2.5	449.73	271.27	343.15	485.83	2.5	1.83	449.73
Mexico (IPC)	847.81	-1.1	210.48	41.79	168.14	164.02	-0.4	3.71	210.48
Netherlands (AEX)	75.04	0.6	68.89	41.79	52.80	60.07	0.5	4.91	75.04
New Zealand (NZSE)	202.76	-2.3	185.69	116.01	140.50	171.29	-1.9	2.29	202.76
Norway (OSEX)	222.25	-1.5	202.05	122.46	255.79	229.59	-0.7	1.88	222.25
Singapore (SSE)	353.89	-0.2	324.08	182.46	230.52	263.83	-0.9	2.57	353.89
South Africa (JSE)	318.81	-1.3	115.11	71.82	90.86	122.01	-1.5	4.86	318.81
Spain (IBEX)	226.03	-0.6	216.16	135.05	170.82	248.20	-1.2	2.00	226.03
Sweden (SWE)	174.89	-2.3	160.29	103.08	125.45	125.54	-0.1	3.20	174.89
Switzerland (SIX)	139.23	-0.4	126.59	70.18	82.92	132.81	-0.2	4.40	139.23
Thailand (SET)	197.55	-0.1	171.70	107.31	135.57	174.55	-0.2	3.06	197.55
United Kingdom (FTSE)	172.81	-0.1	158.26	96.93	124.99	140.38	-0.1	2.44	172.81
USA (S&P 500)	161.07	0.0	147.51	92.18	116.43	144.38	-0.3	4.11	161.07
Americas (FTSE)	161.07	0.0	147.51	92.18	116.43	144.38	-0.3	4.11	161.07
Europe (FTSE)	161.07	0.0	147.51	92.18	116.43	144.38	-0.3	4.11	161.07
Asia (FTSE)	161.07	0.0	147.51	92.18	116.43	144.38	-0.3	4.11	161.07
Latin America (FTSE)	161.07	0.0	147.51	92.18	116.43	144.38	-0.3	4.11	161.07
World (FTSE)	161.07	0.0	147.51	92.18	116.43	144.38	-0.3	4.11	161.07

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LIFETIME EQUITY OPTIONS

LIFETIME EQUITY OPTIONS		
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INVESTMENT COMPANIES - Cont.**OIL EXPLORATION & PRODUCTION - Cont****PROPERTY****RETAILERS, GENERAL - Cont.****TRANSPORT - Cont.**

1998

1500

Weekend FT

Lionel Barber
penetrates the
exclusive male
club which some
think is more
powerful than
the European
Commission

Around 10am every Thursday morning, the sleek black limousines draw up outside the Charlemagne building in Brussels. This ugly concrete block, far removed from Pottiers, Waterloo, and Verdun, is the contemporary battlefield on which the nations of Europe settle their differences. Their chosen instrument is an obscure body called the Committee of Permanent Representatives.

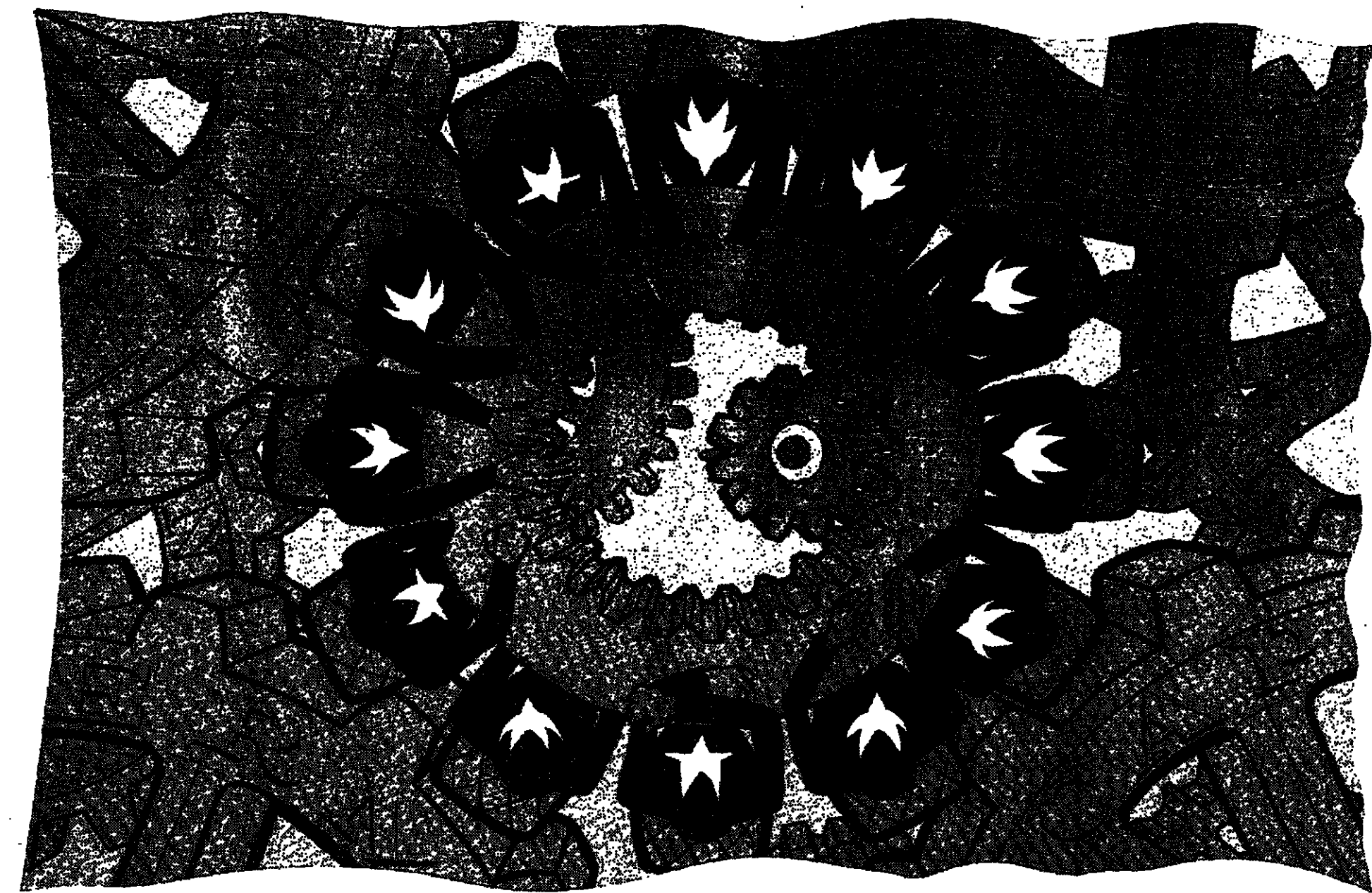
Coreper, as it is known by its French acronym, is made up of the ambassadors of the 15 member states to the European Union. Few of those attending the weekly meeting in the Charlemagne would stand out in a crowd. The exception, perhaps, is Philippe de Schoutheete de Tervarent, the tall, silver-haired Belgian aristocrat born in Berlin who speaks English as if he has just stepped off the playing fields of Eton.

To observe how Coreper operates is to understand how the European Union works. It is an exclusive male club with an accent on classical diplomacy and intimate deal-making usually over lunch. One of the best-kept secrets in Brussels is that 90 per cent of EU decisions are resolved informally in Coreper before they even reach ministers.

In the last few months, Coreper has settled the terms of a new trade pact with Russia, agreed a work-plan for the countries of central and eastern Europe to join the EU, and resolved a mind-numbing legal and financial row over how to set up an EU administration in the Bosnian town of Mostar. Its next task is to lay the groundwork for the 1996 inter-governmental conference to review the Maastricht treaty.

The European Union is a country of sovereign states with elements of supranational powers vested in the European Commission, the EU's executive arm. The European parliament, although slowly accruing power, remains a largely consultative body with powers to block rather than to initiate legislation. Coreper's position inside this power nexus is unique: it has legislative and decision-making powers. Its permanent presence in Brussels, alongside the Commission, gives it an extra edge.

As Europe's business shifts inexorably to Brussels, Coreper's role as a bridge to



The men who run Europe

national capitals will grow in importance, so too its function as a clearing-house for the Council of Ministers, the official forum for EU decision-making. Already it has spawned a second committee - Coreper I - made up of ambassadors' deputies, dealing chiefly with business issues. Yet questions are bound to be asked: is there enough political accountability, are ministers in effect being usurped by an elite group of high-powered diplomats?

The ambassadors argue, correctly, that they are civil servants acting under instruction from their capitals. But such modesty is unlikely to deter critics such as Claude Cheysson, the former French foreign minister, who claims that Coreper is more powerful than the European Commission.

So who are these shadowy figures, how do they work, and why is their role in European

affairs so vital? Under protection of anonymity, a number of Coreper members agreed, for the first time, to talk about their work which is far removed from the familiar images of the EU, with its grinding bureaucracy and late-night ministerial confrontations. For Coreper is altogether a more collusive enterprise.

Like all clubs, Coreper depends on the strength of its membership. The present line-up is rich with diplomatic talent: Pierre de Boissieu, the French ambassador who is a distant relative of Charles de Gaulle and one of the intellectual forces behind the Maastricht treaty; Dietrich von Kyaw, the German ambassador born in a family of Prussian Junkers who fled the Red Army in a horse-drawn cart in the second world war; Ambassador de Schoutheete, the Belgian eminence grise who is Coreper's most experienced

member; Francisco Javier Elorza Cavenet, the chunky, fast-talking Spaniard with a passion for American photo-realist paintings; and Sir John Kerr, the artful Scotsman addicted to political intrigue and Benson & Hedges cigarettes.

The first challenge for a member of Coreper is to master the technical detail.

Most can navigate around Spanish fishing rights in the Irish Sea or rum quotas for former French colonies in the Caribbean. But the real test is how to assess the detail in relation to the potential impact of EU decisions.

Every day in Brussels hundreds of working groups comprised of national civil servants, technical experts, and Commission officials are

engaged in discussions on potential legislation or rule-making. "Someone needs to corral the debate, to judge each issue's importance, and to decide which must go up to ministerial level for a decision," says a diplomat, "that is Coreper's basic function."

Second, ambassadors must be able to read the intentions of other member states, particularly those behaving oddly. When Greece intended to block EU economic aid to Albania last year, the first signals flashed in Coreper; the same applied to Italy's decision to hold EU business hostage to an increase in milk production quotas. Coreper serves as a forum for handling sensitive issues before they surface in the ministerial forum. "It all goes under the heading what the minister knows but does not say," says one diplomat.

Third, Coreper members must possess the ability to strike a balance between the naked pursuit of national interest and the need for compromise, without which the system would eventually break down. And here a dilemma arises for the ambassador: how to preserve the trust of political masters at home while maintaining good-faith negotiations with Coreper colleagues.

True, such skills are the stock-in-trade of diplomats. But this is to underestimate the degree of complexity which lies at the heart of the Coreper enterprise.

Committee members eat, drink, and breathe EU issues seven days a week. Every six months, they and their wives go on trips - to Greek islands,

Scottish whisky distilleries, or to Goethe's home in Weimar - to cement the bonds with their colleagues. By dint of their permanent presence in Brussels, they are virtually condemned to succeed.

As ambassador von Kyaw has said, half in jest: he is known in his native Germany not as the *ständer Verräter* (permanent representative) but as the *ständer Verräter* (the permanent traitor).

To understand how Coreper works in practice, it is necessary to put aside the stereotype stories about Britain's lone war against an intrusive European Commission or Franco-

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NEXT WEEK
In exile: a businessman afraid to go home



Joe Rogaly

Sex and a cardinal sin

Why religion is not strong enough to instil a new moral order

When I met the head of the Roman Catholic church in England some time ago I could hardly believe my ears. What I heard Cardinal Hume asking me, did I think about sex? A long rambling improvisation was offered in reply. Something like: "...by and large in favour... gives an inordinate amount of people a huge quantity of pleasure... should be kept within limits... young particularly keen... church's attitudes not... favourably received... population explosion... Ahem... ahem..."

The cardinal listened patiently, but with a puzzled expression.

"I was inquiring," he said "about sex."

This true account will be item one in any anthology of "moments when I slid under the table and hid". Sex is the man said. Not sex. He wanted to discuss the weird and sometimes wonderful outcrop of religious movements that attract the young and crowd the market for souls. In particular he wished to make the point that humans are spiritual beings. True, church attendances are in decline. The mainstream denominations are in danger of becoming overwhelmed by militant atheism. Yet it is in our nature to seek a transcendental meaning to life. The pro-

perity of cults, sects, is evidence of that longing.

The cardinal struck me as a particularly holy individual, a church leader who rarely ventures into politics, and then with extreme care. This week he has attracted attention for making some remarks entirely consonant with Vatican teaching, to the effect that platonic love and friendship between people of the same gender is a gift from God. "It is a mistake to presume that they must be sexually involved," he advised us. Properly, he advocated "the art of chaste loving".

The important point is not what he said, but that he felt the need to say it. Whatever word is uttered nowadays, it tends to be heard as "sex".

Cardinal Hume was responding to public demand, to the need to enunciate the Roman Catholic position on homosexuality. Only with that out of the way can he hope to be attended to when he speaks of wider matters. A newspaper article last Saturday, stressing our moral responsibility to "live more simply, build community and reduce poverty" did not attract quite so excited a response as his admonition of homophobia.

The family is another matter. It is rarely out of the headlines. Poses of right-wing economists roam our intellectual prairies looking for single parents, particularly young

girls struggling on low incomes. They pelt these hapless mothers with leaflets, pamphlets, booklets, learned papers, dissertations, speeches, perorations, delicate equations and rough abuse. Finally, they lynch them with ropes of verbiage. This deplorable practice, which originated in American think-tanks, has been copied in Britain.

That said, I must come out

I believe that children are best brought up by two parents, one of each gender

of this particular closet. Disapprove as I may of the above-mentioned gang, I also believe that children are best brought up by two parents, one of each gender. They need not be formally married, but theirs should be a lasting and stable relationship. Tony Blair thinks so as well.

The Labour leader is supported by one of his party's US-based gurus, Amitai Etzioni. Dr John Habgood, the Anglican bishop of York, has famously proposed that marriage should be made fiscally more attractive. Cardinal

Hume says that "families are the natural and fundamental units upon which all societies are built".

The latter sentiment is in the cardinal's job description. It supports his observation that "a healthy family is fundamentally at odds with our culture because it is radically anti-individualist". The Chief Rabbi's voice is of the same chorus. In his new book, *Faith in the Future*, (Darton, Longman and Todd) Jonathan Sacks argues that the growth of the state has meant the atrophy of institutions, such as the family, in which people learn the "subtle codes of civility" they need to live closely together. "Without the modern State the modern individual could not have come into being," he writes. "The modern individual is defined by... independence from long-term commitments."

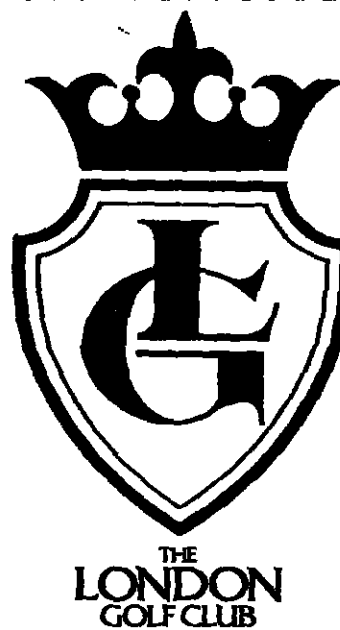
That, Dr Sacks suggests, is why morality matters. "We have abandoned collectivism but not yet the individualism which was its symbiotic partner." As state support is withdrawn, so single-parent families, the unemployed, the residents of ghettos and others suffer. The answer is the return of personal responsibility, self-restraint. "There are other and more human ways of living than instinctual gratification tempered by regret." It is a powerful thesis, one

that cannot be dismissed on the uncertain ground that its author is a "Thatcherite".

True, he cites US right-wingers, such as Charles Murray, whose views are anathema to us liberals. Granted, his attitude to foreign aid is not quite kosher. This does not make him a simple-minded devotee of the 1980s. For Dr Sacks notes that the speeded-up disintegration of the family, with cohabitation, divorce and single-parenthood rapidly becoming the norm, "was a direct consequence of the individualism that so marked the Thatcher years".

Wringing our hands is easy. What to do is another matter. The retreat of the state is unlikely to be reversed. Socialism is well and truly done for. Religion is not present in sufficient strength to instil a new moral order within our hearts. The evolution of a global economy does not support the re-institution of a nuclear family. There are fewer jobs for men, and not enough of the ones that exist pay sufficiently well to support a non-working wife-mother and children.

Free sex may be destructive, but it is probably indestructible. We do not know how to behave, but, sadly, no traditional religious leader has the clout to point us all in the same direction. Only a new philosophy can achieve that. Sects, anyone?



Set in the beautiful Kent countryside, the club boasts two 18 hole courses - the Heritage Course which was personally designed by Jack Nicklaus and the International Course, created by Golden Bear and designed by Ron Kirby. Both courses are suitable for all skill levels, providing five sets of tees per hole and lakes coming into play on several holes. The greens have been built to the highest USGA specifications ensuring firm, well drained surfaces. The courses have been designed to take advantage of the natural contours and beauty of the Kent countryside. The clubhouse contains a magnificent range of facilities, including a high quality restaurant offering a range of international cuisine with a Teppanyaki bar for oriental tastes, a pro shop, spike bar and spa baths with sauna.

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PERSPECTIVES

Paul Cardew has never drunk tea brewed in one of his range of 42 teapots. He does not care for tea and, in any case, the teapots are not intended for brewing tea in.

The products of Cardew's 150-strong team based in two potteries in South Devon are "designer" teapots. They come in intricate designs ranging from an old-fashioned cash register to an old hand-cranked clothes mangle, a market stall, and a lady's dressing table.

The larger teapots may have as many as 14 components and the more expensive ones retail at around £100.

"All our full-size and one-cup teapots will make perfectly good tea, but we wouldn't pretend this is the first purpose of our products," said Cardew, 47.

"They are designed as collectables and our aim, quite simply, is to be the world leader in designer teapots." After nearly five years in the business Cardew, and his partner Paul Kirvan, 44, say they have already got there.

"We have almost doubled our workforce since taking over a pottery at Bovey Tracey last summer. We have doubled our turnover every year from its initial £250,000 and this year we are aiming at £5m turnover and are hoping for profits of around 20 per cent," said Cardew.

The two attribute the rapid growth to having the right product at the right time and what Cardew calls their "perfect marriage". They met 25 years ago in a pub after surfing at Padstow. There followed a patch in which Kirvan ran an advertising agency in London while Cardew, who has a degree in ceramics and fine art, taught and then became a director of a ceramics company in his native Devon.

When in the late 1980s it all fell apart, Cardew, who says he was "not put on this earth to be a businessman", was left with little more than the house he lived in and a wife and family to support.

Cardew put out an SOS to his old friend, who was restless and in need of a change. Within days, Kirvan had drawn up a business plan and Cardew had started afresh with half a dozen previous employees making designer teapots in a rented lock-up garage in Exmouth.

The venture was financed by £70,000 Cardew raised by remortgaging his house, an equal sum from Kirvan and a loan of



The artist and his teapots: Paul Cardew of Cardew Design and some of his creations

Devon News Agency

Minding Your Own Business / Clive Fewins

A designer goes to pot

£550,000, of which £150,000 was working overdraft, from The Bank of Scotland.

The lock-up was soon sold, and Woodmanton Farm, on a nine-acre site near Exmouth, bought for £200,000.

"It all worked well - and fast," Kirvan said. "It needed to, as we knew there was a sleeping market waiting to be brought to life and our strategy was to develop it fast in a recession before others could catch up with us."

By the time the pair had spent a further £180,000 converting the farm into a pottery money was growing tight. But, in spite of the inevitable early cash-flow problems, sales were good and money was coming in.

"From the onset we have had a policy that every 25 kilo lump of refined clay coming into the factory has a destination," Kirvan said. "The focus has always been on sales invoiced out, so we don't need to hold any stock. However our

cash flow is now such that we can afford to build up stock, which we need to do because of the increasing diversity of our range."

"Currently we have orders for £1m worth of tiny teapots alone and total forward orders in early February were worth £6m," Cardew said.

About 40 per cent of sales are still in the UK, though that figure is diminishing as the company sells more and more through a network of agents in 30 countries. The US is by far the biggest of these.

"We have been helped enormously by the Portmeirion group, which has a huge operation in the US and acts as our distributor over there," Cardew said. Portmeirion also has its own-brand range of novelty teapots made by Cardew Design.

"The Americans especially love limited editions," Kirvan said. "I am convinced that we could sell everything we make to the Americans. That way we

would make more money. But it would be a shortsighted policy. If you want to build up a reputation as manufacturers of the world's best collectable items, you can't do that by selling to just one country."

Cardew and Kirvan say much of their success is because the company is designed.

"Our design team is huge by comparison with other ceramics companies of our size," Kirvan said.

"Design and development accounts for almost 10 per cent of our turnover. We have six full-time staff led by Paul, whom I regard as one of the best three-dimensional designers in the world."

At Cardew Design, a new product can take as little as three months to go from an idea to volume production. This year Cardew and Kirvan aim to add 12 large teapots to the range, bringing the number of full-sized teapots to 24.

"Collectors always want new items to collect," said Kirvan. "With the exception of the one-cup pots and the best-selling sewing machine in the full-size range we rarely produce more than 5,000 of any line."

The production process for any teapot takes from six to eight days. But in spite of the company's modern business approach automation plays a very small part. Apart from firing in automatic kilns the rest of the work is essentially by hand, using moulds for all the component pieces, which are cast from them.

"If one tiny component is missing, the product doesn't leave the factory," Kirvan said. "Our reputation is based on quality. That means the miniature teapot or the pistol on the Agatha Christie crime writer's desk has to be present and glued into the correct position."

Cardew Design, Woodmanton Farm, Woodbury, Exeter EX3 1HQ. Tel: 0395-236633.

The Nature of Things / Clive Cookson

Shortsighted forecasters

Ask the UK Meteorological Office about the weather for this spring and you will be told: sorry, we do not publish forecasts for more than a week ahead.

Put the same question to the US National Weather Service and you will be offered a full set of seasonal forecasts up to May next year.

(In case you are interested, the spring of 1996 is likely to be warmer than average in most parts of the US, only the Gulf Coast is expected to be cooler than normal. Arizona and New Mexico will be unusually wet.)

The recent launch by the National Weather Service of "long-range climate outlooks" up to 15 months ahead has opened a huge transatlantic gap in long-range forecasting. Weather-sensitive industries such as energy, water, agriculture, retailing and transport can benefit from seasonal forecasts in the US that are not available to their counterparts in the UK or elsewhere in Europe.

There are a variety of reasons for this, involving commercial policy, scientific expertise and geographical location.

Seasonal forecasters in the US have one big natural advantage. Climatologists have discovered that the single most important factor influencing annual variations in the world's weather is the Southern Oscillation - a sea-saw in pressure and temperature patterns over the tropical Pacific Ocean: in recent years the warm phase, known as El Niño, has predominated. This oscillation, which can be predicted up to a year ahead, has a stronger effect on American than on European climate. (El Niño tends to produce warm, dry conditions over the northern US and a lot of rain over the south.)

American meteorologists have built on their geographical advantage to move ahead of European colleagues in the science of long-range forecasting.

While the UK Met Office in Bracknell is as good as anyone at short-range forecasting (over the next two or three days) and the nearby European Centre for Medium-range Weather Forecasts in Reading excels in predictions a week ahead, the US has put more resources into seasonal forecasting.

The American forecasters produce the long-range climate outlooks by combining several new techniques - all dependent on the latest generation of supercomputers. They use statistical methods with tongue-twisting names (Canonical Cor-

relation Analysis and Optimal Climate Normals) to extract as much predictive value as possible from the historical record. And they make many computer runs of a coupled model of the atmosphere and ocean, up to six months into the future, to see how present conditions are likely to develop.

The results are displayed on maps of the US for an overlapping series of three-month periods, up to 15 months in the future. The forecasters only fill in the details of temperature and/or rainfall when they are confident that their predictions are at least 93 per cent better than relying on long-term averages; otherwise they leave blank areas on the maps.

European meteorologists are embarking on a collaborative three-year research programme, based at the European Centre for Medium-range Weather Forecasts, to see whether they too can produce

reliable seasonal forecasts by applying the latest knowledge of the interplay between atmosphere, ocean and landmasses. Although El Niño exerts less influence over Europe than north America, the scientists are confident that they will be able to predict weather patterns for at least some parts of the continent for some seasons. Preliminary research suggests that spring is most predictable.

If the European project succeeds, however, commercial and political factors may yet prevent the benefits feeding through to potential users.

The UK Met Office shows how this can happen. It produces 30-day forecasts with a good reliability, but they are not published. Instead it sells them on a confidential basis to large corporate clients in industries such as energy, water, retailing and transport. The cost (several thousand pounds a year) makes them inaccessible to most farmers and small businesses.

Officially, the Met Office (an agency of the Ministry of Defence) justifies its secrecy on the patronising grounds that the 30-day forecasts are not yet reliable enough for public release and might be "misinterpreted" by unsophisticated people. (The absurdity of this argument is shown by the US publicity materials, which explain clearly the statistical limitations of the forecasts and the fact that they give likely trends of temperature and precipitation over the season, rather than specific predictions for particular days.)

In fact, the real reason for the Met Office's discriminatory policy is the government's commercial pressure on it to make as much money as possible by selling its forecasts, rather than making them available as a public service.

Let us hope that the US seasonal predictions - available free on the Internet - will shame the ministry and Met Office into releasing their 30-day forecasts.

The most important influence on variations in the world's weather is the Southern Oscillation

The men who run Europe

Continued from Page 1

German plots to dominate the rest of the EU. Nor does Corper divide naturally between the big and smaller states. Apart from the Anglo-German free trade bloc, alliances tend to be tactical. The reality is that the ambassador with the best arguments has the advantage, whether he comes from plucky little Luxembourg or united Germany. "It comes down to the power of the word," says a participant.

The formal sessions take place when Corper meets every Thursday, except in the week before a meeting of EU foreign ministers when the session shifts to Wednesday. Each ambassador is accompanied by a note-taker and national experts who rotate to provide technical support. The European Commission has a seat at the table, so, too, do staff from the Council of Ministers' secretariat. In the wings sit the interpreters.

The atmosphere is businesslike, interspersed with high theatre, says a participant. Much depends on the skills of the chairman who rotates according to which country holds the six-month-long EU presidency. The current chairman is de Boissieu who loves to play to the gallery, mixing intellectual prowess with French hauteur which can strike down opposition.

The weekly plenary sessions are useful for countries to state out positions, but they are dress rehearsals for the meetings when the real business is done. These occur once a month, occasionally more frequently depending on the flow of business, in a highly restricted setting over lunch on the first floor of the Charlemagne. No microphones, no interpreters and no note-takers allowed. French and English are the only spoken languages.

"Lunch is where you say what you cannot say in the room. Speeches are not allowed. It is the place where you can float ideas, and find out the possible areas of compromise," says one participant. Another confirms the importance of the lunchtime sessions, noting that the absence of note-takers means that ambassadors and the Commission can be selective about reporting the contents to their national capitals. "It's very simple," he says, "there are no spies."

Two other participants play important roles in greasing the wheels toward a compromise:



Dietrich von Kiyaw, the ambassador born in a family of Prussian Junkers

Carlo Trojan, the assistant secretary general of the Commission and Jacques Delors' trusted deal-maker, and Jean-Claude Piris, the French head of the Council legal services, who helped to solve the political crisis created by Denmark's rejection of the Maastricht treaty in the June 1992 referendum. His proposal served as the text which secured a Danish "Yes" to Maastricht in May 1993.

A Corper member says the lunchtime intimacy is conducive to deal-making, but warns that it is not enough to play the nice guy. "Only two questions count: can I trust my colleague, and how much weight does he carry with his national capitals?"

Corper runs an informal peer rating. Kerr and de Boissieu are the best at spotting what will pass muster in Paris and London. Both have won respect because they serve governments which are divided over the pace of future political and economic integration in Europe, a point which leaves them doubly exposed should they be seen to be selling out national interests in Brussels.

Kerr, who will shortly leave Brussels to become British ambassador in Washington, is a renowned deal-maker. In December 1992, he almost single-handedly pulled off a deal which saved several billion pounds in British contributions to the EU budget over the following seven years, against expectations.

"Kerr is brilliant at keeping the game alive," says a fellow ambassador, "he will put up a draft fast with lots of suggestions and always a little bit of poison, in the hope that others will bite. Some always do."

works roughly like this. The UK government faces a Brussels directive on harmonising widgets which is a nuisance, but which is far less important than a second directive providing for minimum excise duty on whisky.

The trick is to identify the issues blocking agreement, line up the opponents, and then strike a deal which gives away a little on widgets but gains a lot on whisky without anyone noticing in London. Sometimes it is necessary to take on opponents back home.

It helps that Kerr has direct access to 10 Downing Street and is also invited to attend cabinet committees on European affairs. Kerr has also continued the tradition set more than 20 years ago by Sir Michael Fallisier, former UK ambassador in Brussels, of making a weekly visit to London to nail down his political base in Whitehall. Only Bernard Bot, the Dutch ambassador and graduate of Harvard Law School, makes a similar trek home; though de Schoutheete, the Belgian ambassador, enjoys "home advantage" in Brussels.

A veteran participant in Corper once joked that ministers in Europe are only capable of dealing with names, places, dates and figures; the rest is done by the permanent representatives.

National ministers who flit in and out of Brussels for monthly meetings of the Council of Ministers are invariably at a disadvantage; but it is debatable if matters would improve if, say, member states sought to "renationalise" decision-making in the name of greater transparency and democratic accountability. Thus, French ideas for creating a new committee comprised of

"ministers for Europe" which would supersede Corper appear to carry more risks than benefits.

Such a "Euro-ministerial" system might work in Belgium, where national politicians still look to Europe as the glue which keeps their country together. It might also work in Germany, where the reluctance to impose the national will usually outweighs the fear of being outvoted in Brussels. But in Britain, a Euro-minister who justified a deal reached in Brussels on the grounds that it was "good for Europe" would be hawled out in the House of Commons.

The most effective argument in favour of Corper and its closed-door decision-making is that it counters the power of larger states, and prevents the re-emergence of the 19th century cabals which were the hallmark of 19th century diplomacy.

"The value of Corper is that rape becomes very difficult because of the witnesses," says a committee veteran. "You can do deals behind closed doors with other people, but to get them adopted you need to get a deal in broad daylight with everybody present."

The final argument in favour of the system is that it serves to take the steam out of issues which European politicians find too hot to handle in public.

One of the most telling cases occurred last year when Corper agreed new rules allowing citizens of the EU the right to vote or stand for political office in municipal elections in their EU country of residence. Here was an issue of immense sensitivity.

The French were nervous about allowing "foreigners" the right to stand as candidates in local elections. The Belgians, notably the Flemish, insisted on restrictions to avoid the risk of foreign residents voting for Francophone candidates around the Brussels metropolis. Similarly, Luxembourg insisted on a time-lag so it could adjust its rules to cope with the large numbers of Portuguese immigrants.

In the end, Corper single-handedly drafted and agreed a text which was rubber-stamped in the Council of Ministers without discussion, in spite of the highly political nature of the deal.

"If you want smooth decision making in Europe," concludes a Corper veteran, with no trace of irony, "you must keep it away from the politicians."

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PERSPECTIVES

Waltzing back to the days of kings

Mariana Schroeder on why the Viennese are still having a ball

The ball season is almost over but Vienna does not stop dancing. Each year, the Austrian capital hosts more than 300 balls, culminating in the Opera Ball.

Attending the Opera Ball is a matter of national pride. It is a social event, a show of Austrian manners and a sentimental throw-back to days of king and emperor. Everyone attends, from the president down.

When the evening arrives, 6,000 people hold their breath. The music stops and the two words they are waiting to hear boom out of the loud speakers: "Alles wacker!" Roughly translated it means "everyone waltz".

At that moment the ballroom shifts into a kaleidoscope of colour as thousands of couples begin to whirl to the one-two-three rhythm they learned as children.

Tail coats fly, backs arch, hems billow, jewels glitter and skirts float over the parquet like exotic night-blooming flowers.

No one loves the waltz more than the Viennese. They have made it their anthem and given its composers the status of heroes.

This year's Opera Ball took place in late February. As always it was held at the Vienna State Opera, a building that was transformed overnight into a magical ballroom.

The work began as soon as the final curtain fell on the performance of *Romeo and Juliet* held the night before. It took 350 workers 13 hours to remove the seats, build additional boxes, lay a parquet dance floor and decorate the whole with 18,000 pink carnations, 50 blooming azaleas, 50 tree-size white lilacs and 800 palms.

Uniformed lackeys formed a guard of honour at the entrance where guests ascended the marble staircase

to their boxes. Shirley MacLaine and Sophia Loren led the list of international celebrities.

Sophia, resplendent in a gold beaded gown that lavishly displayed her famous cleavage, held court in Box 9.

"I have never been so moved, so emotional," gushed the Italian film diva. "It is one of the most beautiful nights of my life." That, however, did not prevent her from leaving an hour after she had arrived.

MacLaine said she felt as if she had been in Vienna in another life. She was not in such a hurry to leave. The

The dress code for the ball is rigid: white gowns and crownlets for the ladies, tie and tails for their escorts

American star wore a flaming red beaded dress and reminisced about the ball she had attended in 1976.

"I loved the idea that old traditions were kept alive to remind us of a time when the world was a happier place," she said.

Plácido Domingo, the Spanish tenor, and Birgit Nilsson, Swedish soprano, added artistic glitter. Austrian President Thomas Klestil and Chancellor Franz Vranitzky led the long list of politicians. The Boucheros, the Porsche-Plechs and American industrialist Malcolm McLean gave the event a touch of international glamour.

Kurt Waldheim attended, along with British Ambassador Terence Wood, the mayor of Helsinki, the Japanese Ambassador, the owner of the Sacher

Hotel - in a word, everyone was there.

The Opera Ball is essentially a debutante ball. Some 180 couples formed this year's "opening committee" of debutantes. Most have been drilling for nearly a year for the opening quadrille. Lotte Tobisch, dubbed Vienna's "Ball Mother", is responsible for the organisation.

She has run every ball since 1956 when the first one after the war was held. She chose this year's debutantes out of more than 800 who had applied.

The dress code for the ball is as rigid as the dance steps: white long gowns and identical rhinestone crownlets for the young ladies and white tie and tails for their escorts. Mouse grey for the gentlemen in uniform. The Austrian white dress uniform is considered distracting.

In fact, tails and floor-length evening gowns are *de rigueur* for everyone. "Those who insist on arriving in a tuxedo should not be surprised if they are mistaken for waiters," says Tobisch. She is all smiles but there is steel beneath the ruffled chiffon.

She defends her insistence on white tie with the argument that dress clothes are not elitist but egalitarian because "everyone looks alike". By the night of the ball there was not a "frak" to be rented in all of Vienna. Most reserve their white tie and tails well before Christmas and retailers say they sell more evening clothing in Vienna than in any other city in Europe.

This year, nearly 5,000 paying guests and more than 1,500 staff and opera personnel attended the ball. They paid Sch2,600 (£160) to get in and an additional Sch95,000 to Sch165,000 for a box. A simple table for six in one of the outlying rooms cost Sch10,000. The ball was nearly sold out, a sign for many that the recession is finally over.

The ball committee actually made a profit of Sch5m on the evening. Tobisch argues: "It is the only night of the year that the opera doesn't lose money."

The high price does not keep ordinary Viennese away but it does keep them on their feet. Most buy a ticket and spend the evening dancing or standing around in the corridors because they cannot afford to book a table.

When they are not dancing, they have nothing to do but stand around the stairways hoping to catch a glimpse of one of the celebrities. That is hard on both guests and equipment.

Two ladies fainted and the opera cobbler (there is always one on duty during the ball)

reported 30 broken heels. Dressing rooms, backstage areas, even the catacombs of the opera fill with ball goers. In the basement a disco caters for the waltz weary and the employee canteen serves beer at Sch45 for a 1/2 pint for those who find the price of Sch3,000-Sch4,000 for a bottle of champagne upstairs a bit too high.

The result is a mixture of glamour and grunge that has created an identity crisis and given Ball Mother Tobisch one of her biggest headaches. She talks about the return of the ball's former splendour when the cream of Austrian and

international society attended. Princess Caroline of Monaco and the Duke of Edinburgh were among the guests in former years.

Austrian politicians like to play down the social aspect and talk about the ball as a "folk event". The truth lies between the two extremes.

That may be open to debate, but Vienna without its ball is as unthinkable as Wimbledon without tennis.

And it is safe to bet that next year when the announcer says "alles wacker!" the city will again swing into three-quarter time and the world will tune in to watch.

"The Opera Ball is one of Austria's best exports - like the Spanish Riding School and the Sacher Torte," says Gregor von Bezor, an Austrian writer and social critic. "Nowhere else will you find so many people who are so enthusiastic about something so totally useless - that is what makes the Vienna Opera Ball so Austrian."



Tail coats fly, backs arch, hems billow, jewels glitter and skirts float over the parquet like exotic night-blooming flowers

Mary Evans Picture Library

Lyuba, a stout lady with a big smile and a sharp tongue, says: "Before the war we carried the Poles up these hills. The poor trudged up; the rich skied down again."

Lyuba comes from Slavsko, a small mountain town on the northern slopes of the Ukrainian Carpathians. Although a Polish province until 1945, and close to Ukraine's present-day western border, this is the heartland of Ukrainian nationalism.

Through both world wars, partisan bands hid out in these hills. Today, visitors who attempt to communicate in Russian still get dirty looks.

Suspicion of outsiders even extends to Lviv, the regional capital, three hours cockroach-ridden train-ride to the north. Lvivites are "spoiled children" sniffs Lyuba. They think they are the real Ukrainians, but we don't believe it - they are half Poles.

Slavsko is never going to be the Trois Vallées, but its skiing facilities have improved a bit since Polish days. With one chairlift and six T-bars, the 3,500-strong town now counts as Ukraine's premier ski resort.

Although domestic custom has collapsed in tandem with the Ukrainian economy, skiers still come here from Vilnius, Moscow and Warsaw. Poland has mountains but as Lyuba says: "It's cheaper for them here."

In spite of its tourist industry, Slavsko is desperately poor. Lyuba's two-room flat, in a small house shared with four other families, hosts two daughters, two dogs, four puppies, a cat and a budgerigar. Glass-fronted bookcases stuffed with Tolstoy, Balzac and gaudy cut-glass vodka glasses compete for space with the battered paraphernalia of her husband Bogdan's ski-hire trade.

Scraping snow off some incoming ski-boots on to a brown-tiled corner stove, Bogdan says that "most of the men work in the forests, or in tourism. Everybody has two, three cows and a piece of land. But we're not farmers in your sense, because we just use our farms to feed our families." In a richer country these little homesteads - laundry flapping from the apple trees, poultry picking around the woodpiles - would be picturesque. As it is, their dilapidation is simply depressing.

Our party, led by Anton, a professional rock lyricist and part-time ski-guide, is putting up at the Yuzhtcheno, one of dozens of hideous sanatoriums dotting Slavsko's outskirts. Like most Ukrainian institutions, the Yuzhtcheno



An army truck takes skiers to the chairlift in Slavsko

Slippery slopes in the Carpathians

Anna Reid visits a poor man's ski resort

nergo inhabits the grey zone between state and private ownership. It belongs to the local branch of the energy ministry. But where does the money we are paying for our rooms actually go? "A little bit to the ministry - a lot into the director's pocket," says Anton.

Even by Ukrainian standards, the Yuzhtcheno is recklessly, magnificently horrible. The rooms are freezing; imaginative mustard-coloured plasterwork decorates the ceiling. The cracks round the windows are papered over with strips of the local "National Socialist" newspaper.

Pieces of thick twisted wire stick out of the interior walls. The bathrooms - single, dim light-bulb, creeping brown puddles - look like transplants from the Lubyanka's basement. Hot water is available only occasionally, usually at the same time as the cavernous cafeteria is serving up fried potatoes for breakfast, lunch and supper.

Come morning, things look up. Slavsko's skiing day begins with a bang, as a khaki-green army truck backs into the Yuzhtcheno's cracked concrete entrance. Piling on, we career down snowy roads, under a railway bridge, past a pair of skinny ponies pulling a rough wooden sled piled with dung.

Two peasants riding on the

back flash gold-toothed smiles. At the bottom of Slavsko's single chair lift, thumpy Russian rock music blares.

"Prison songs!" beams Anton. "He's saying how the guards are emptying their machine guns into his dead body and stamping it into the ground."

Greasing the attendants'

Après-ski is a do-it-yourself affair: in the hall, a family lights a fire and cooks kebabs

palms with wads of Ukraine's almost worthless currency, Anton manoeuvres his flock past a unique parade of 1970s-style flared and fitted ski-wear to the front of the lift queue.

Last year, the mountain-top was blowing a snowstorm and decorated with a 10ft-high ice-sculpture of an erect penis. This year, the penis has disappeared, the sun is out, and the view is glorious. High, wooded mountain ridges, regular and endless as the waves of the sea, stretch away into the blue distance.

On the slopes, there is not much thought to spare for the

scenery. Slavsko does not possess snow-cats to bash the snow flat, which means its mogul fields grow, as the season progresses, to terrifying proportions. Luckily, snow is plentiful at the moment, so falls are almost a pleasure.

Run-shaped haystacks, each with a thick topping of snowy icing, stand alongside woods of pine and birch. A friendly Pole asks where we are from and produces a vodka flask. Later, when the antique bindings on Bogdan's skis give way for the umpteenth time, the local school-teacher helps out, shyly taking the opportunity to practise his English.

What Slavsko has yet to discover is the mountain-top restaurant "Vareniki" - meat or cabbage-stuffed ravioli - are served out of makeshift cabins, and eaten on the wing. Locals bring their own supplies. At the bottom of each ski lift, vacuum flasks are being opened, sausages sliced.

Back at the Yuzhtcheno, the fun continues. With supper (potatoes again) finished by 8pm, après-ski is a do-it-yourself affair. In a corridor, a little group smokes and sings along to a guitar. In the hall, unheated by two brassy receptionists, a family lights a fire and cooks kebabs. Anton opens a can of beer. "Be glad you're not staying at the Dynamo," he says, "that's a real stable."



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HOW TO SPEND IT

Lucia van der Post meets a woman who was amazed when she could not find wardrobe advisers in the London telephone book

Some closet advice for the terminally untidy

If there is a house with cupboards large enough for all the clothes, with shelves enough for all its books, with a place for every object, I have yet to encounter it. But sheer space is not everything – it is how you organise the space that really matters. That at least is the passionately held belief of Dawna Walter. Indeed so passionately does Dawna Walter feel about the matter of proper storage that she is just about to open a store that is devoted to nothing but... storage.

Walter is American. She came to Britain when she married an Englishman. As she set about turning his rather untidy bachelor pad into a well-organised home for two, she decided she would do as almost everybody does in the US and call in a "closet adviser". Surprise, surprise, no "closet advisers" in the phone book. "Silly me," she told herself, "of course – they're called wardrobe advisers in this country." But (and by now surprise was turning to astonishment) there were no wardrobe advisers listed either. This was when, being an enterprising sort of woman, she saw a gap and decided to try to fill it. On April 27 she opens the first of what she intends to be a chain of stores devoted to "everything and anything associated with storage and organisation."

If that brings to mind rows of metal shelves, cardboard boxes and endless modular systems so complicated that you need a degree in higher mathematics to work out the permutations, think again. Dawna's store is to be all light and bright and she wants it to be about having fun as well as being useful.

"Nobody said storage had to be dull," said Dawna. Her own house is not only beautifully organised but lots of fun. Shoes (masses of them) are all in their proper place, drawers are so neatly arranged they could be photographed, shirts all organised, everything easy to see and find. There are old chests which have been given new life with paint and stencil. There are new chests in

medium density fibreboard, smartened up with some finely-wrought stencils.

One of the secrets, she tells me, is compartmentalisation. "If everything is all jumbled together you can't tell what you own. Even if you just buy a simple little drawer organiser

to separate out your tights, socks, knickers, or scarves, you will find it much easier to find the ones you want. That alone should save you minutes a day. If you apply that principle to the rest of your house you should be able to save yourself large chunks of time."

She has tracked down products at trade fairs and from companies around the world.

'Nobody said storage had to be dull,' says Dawna Walter

But about 65 per cent have been developed exclusively for her. Some are simple products which would make wonderful presents – for instance, the leather-backed roll-up necessities which has masses of pockets to hold everything you need to take travelling, from shaving-brush and sewing-kit, to toothbrush and shampoo.

There are lots of organisers which can simply be hung over wardrobe doors – some in striped cotton, some in plastic. One could hold many pairs of shoes, others sweaters, yet others ties or belts. Needless to say there will be lots of colourful products for children – including a brightly-coloured canvas wardrobe come shelving unit which is demountable and can be carried in a canvas sack.

There are all the appurtenances for dividing the space in cupboards: wire baskets, cardboard boxes, open-fronted shoe-boxes, demountable shelves and uprights.

The shop itself is divided into room-sets with sections concentrating on media, travel,

children, shoes, the kitchen, the office and then a more seasonal area which will have, say, a gardening theme or a Christmas theme.

Of most use to the terminally disorganised will be the service the shop will offer. In dire circumstances they will come to your house and help. But Dawna believes customers will be able to calculate their own storage needs with the help of the free kit (a tape measure, plus instructions of which measurements to take) she gives them. Those who fill in the sheets as instructed will be able to come back to the shop and be given help in planning how to make better use of their space and how to be better organised.

The motto, in case you had missed the message, is "Organised living means more free time".

The Holding Company opens at 243-245 Kings Road, London SW3 on April 27 and it is planned to be the first of a small chain. A mail order catalogue will be published later in the year.



Dawna Walter of The Holding Company photographed at home in her own beautifully organised wardrobe

The secrets of a happy cupboard

Dawna Walter believes that walking into your wardrobe should be visually stimulating, that looking at an ordered interior can be an aesthetic experience. The lure of perfectly organised cupboards was irresistible. "Please, Dawna," I begged, "come and show me just what can be done with cupboards as full as mine."

I resisted the urge to spend the weekend tidying up and let her see them in all their chaotic abundance. She did not blanch. Instead she presented me with a plan of action. It goes like this:

Take an honest look at everything in the wardrobe. Give away anything that has been too small for at least two years; anything with a stain that will not come out; and anything that is outdated (if you really think they may come back in fashion buy some plastic or canvas bags and store them elsewhere).

Analyse your wardrobe. Assemble your clothes by size. Put all the short hanging clothes (jackets, shirts etc) together (this enables you to use the space underneath better). Put all the long hanging clothes together, arrange them by colour – put neutrals together, black together etc.

Then make an inventory of folded clothes, of shoes and boots, of accessories (ties, belts, handbags, hats, costume jewellery). Measure your wardrobe from front to back, side to side, width of door, height of door, door frame to wall left, door frame to wall right, floor to ceiling (not for-

getting to note obstructions such as fuse boxes, cables or ducts).

Bear in mind that clothes on hangers need 1.5in of rail space each. Folded clothing takes up to 12-14in of running shelf space, with three to four items in each stack. In this way you can work out what your wardrobe can sensibly hold.

From here she moved on to the small tips that she has

Looking at an ordered interior can be an aesthetic experience

gleaned from a lifetime of being organised. I pass them on for free.

Hangers
Invest in good hangers, all of the same make – this way all the clothes hang at the same level. Do not use the wire ones which dry-cleaners so generously give away free – they are bad for the clothes. Ideally use wooden ones. Cedar wood acts as a natural moth repellent.

Garment protectors
Always put away the clothes you are not going to wear at the end of the season or clothes that are only rarely worn. Plastic or canvas ones will keep away dust and help protect the clothing.

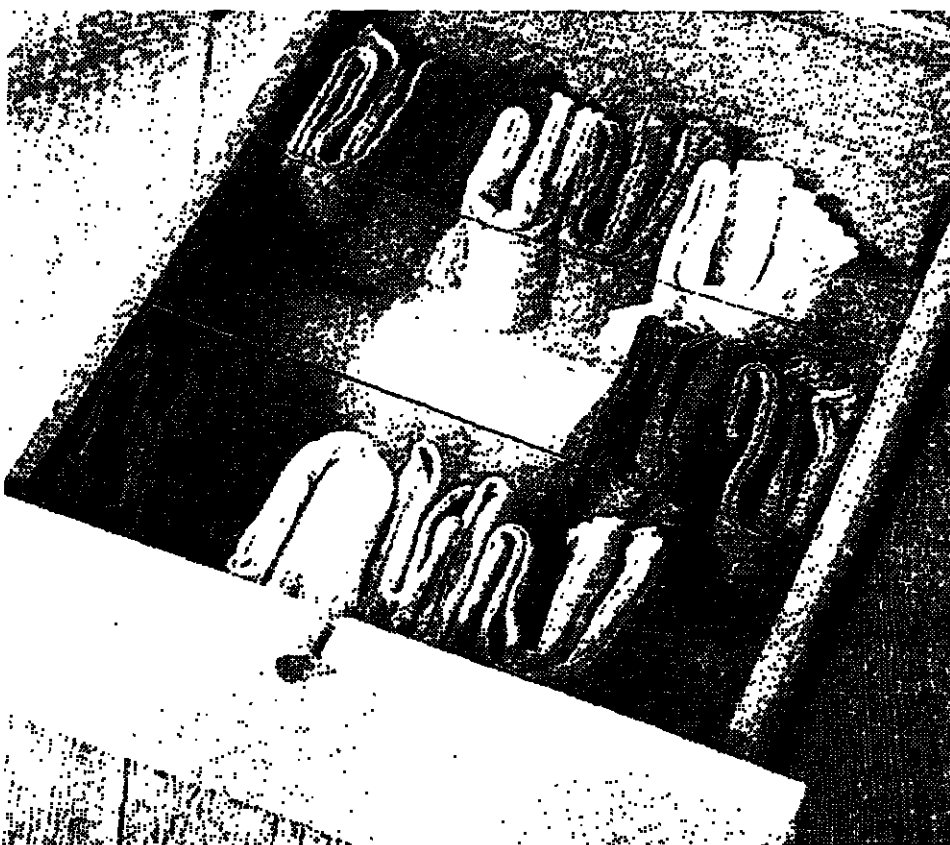
Drawer organisers
The more you compartmentalise your clothing, the easier it will be to find what you are looking for. Perfect Order is a system (£6.95 for the set) which slips easily into almost any drawer and provides up to 32 compartments in which can be stored tights, socks, ties, knickers or scarves. Neatix Organisers are clear plastic and coloured cardboard boxes which can also be used to organise socks, knickers and lingerie. Sets of two cost £3.95.

Tie racks and tie hangers
These allow you to see ties at a glance and store them so that they do not get crushed. A tie rack in beech which can hold 60 ties is £24.95.

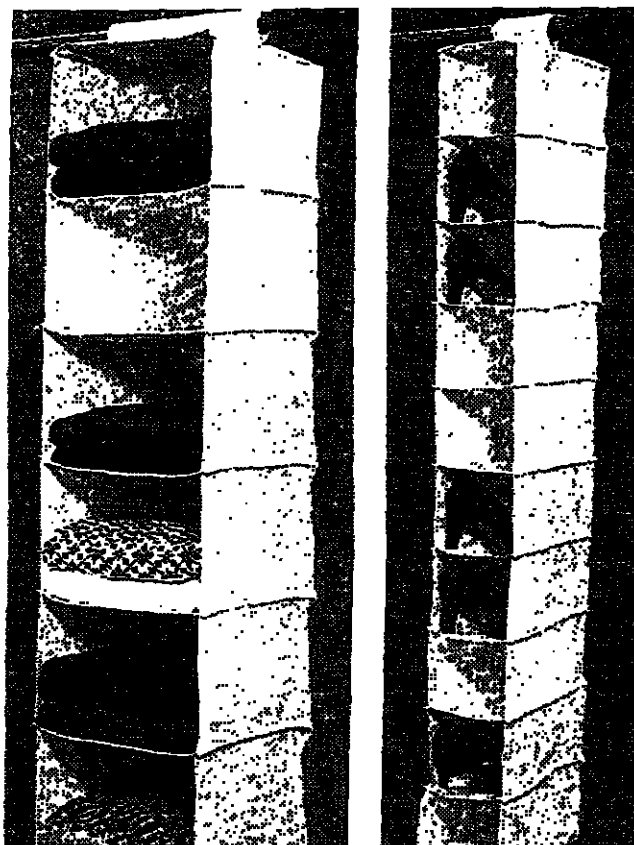
Hanging jewellery organisers
These have many compartments which enable you to separate items thus preventing them from getting tangled or damaged and enabling you to see the individual pieces.

Shoe organisers
Shoes are one of the biggest headaches for many people. Shoes worn occasionally (special evening ones, for instance) could be stored in boxes but to save you rummaging through them all to find the pair you are looking for, take a Polaroid photograph and stick it on the front.

The Holding Company will sell a big range of shoe organisers – over the door wire racks, over the door canvas pockets, floor wire racks, shoe boxes and bags, and a stacking and expandable rack for 12 pairs.



Tidy up your drawers with a Neatix organiser – a peck of two costs £3.95



Simple canvas storage systems – left, for sweaters or blouses, right for shoes



Inexpensive cardboard boxes, clothes protectors and hangers – the basics of good organisation



Dawna Walter with three basic chests transformed by stencils and paint. Among the things her shop will sell are wire baskets, open-fronted shoe boxes and paint kits

An old flame is relit

Lucia van der Post tells how her oven was repaired

A little paragon of praise to the Gas Consumers Council. The Christmas before last the large oven of my double-oven Carron Cordon Bleu cooker expired in the middle of the festive celebrations. A culinary confection provided by my sister-in-law failed to cook and it took some time to find out why – the flame in the oven had died.

Calls to our local gas board produced a gentleman in overalls who poked and prodded and declared the cooker dead. "How long did you say you

had had it? Twenty years? Well..." shrug, shrug "...what can you expect. Tell you what... why don't you have a look at these brochures and choose a new one?"

He had completely failed to understand a woman's attachment to her cooker... the fact that it was 20 years old, that it had cooked my children's nursery meals, family Christmas celebrations, teenage parties, grown-up dinner parties, all made it very much more, not less, desirable in my eyes.

"Well," he said, "you see Carron which made the Cor-

don Bleu no longer exists, so I don't suppose there'll be any spares. Your only hope is to look in the Exchange & Mart or to advertise. But there are lots of lovely new cookers."

There followed months of traipsing round every likely looking workshop in the borough inquiring after a spare solenoid for an ancient cooker.

Finally, a colleague said "Ever thought of ringing the Gas Consumers Council?"

One call was all it took. The suppliers of the spare parts were tracked down, the local gas board were remonstrated



with for giving false information and not trying harder and a date booked for the installation. Six weeks later my beloved Carron Bleu is in full working order again.

The cost to me was £45 for the call-out charge – the spare part was "free" to make up for the weeks of aggravation.

Thank you to the Gas Consumers Council.
The Gas Consumers Council (tel: 0171-831 0377) protects the interests of gas consumers and will take up complaints or queries on their behalf. Last year, it dealt with 24,359 customers, a rise of 19 per cent over 1992.

Jan 11/150

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TRAVEL

Falling flat at Mad Hatter's boules party

Chris Eales races through Brittany to play Bouleau Pok, a strange, ancient game that involves a lot of drinking

It is Mardi Gras in Brittany. At 8am, Laurence and I are heading south to ancient Guerlesquin which sits placidly in the shadow of the Monts d'Arrée, the highest mountain range in Brittany. We are going to the World Championship of Le Bouleau Pok.

This unique Breton game of boules has been played every Mardi Gras for the last 500 years. It is not played anywhere else, Robert Le Scour, president of Le Bouleau Pok Society, told us.

This is not the only Breton oddity about Bouleau Pok. The game is littered with Mad Hatter rules. Boules are round elsewhere in France, but here they are flat; practising is forbidden because it might give someone an advantage. Legend says the idea came from a priest who wanted to provide his flock with some leisure.

It is north versus south. Nordistes, those with houses facing south, play sudistes, whose houses face north. The prize is a noble laurel leaf.

In keeping with ancient Breton custom, the game is combined with its other essential purpose: eating and drink-

ing. And religion is not forgotten: Bouleau Pok is set off with a mandatory mass at 9am in the Chapelle St Jean. We arrive just after nine, concerned. Bouleau Pok rules insist that those who do not attend mass cannot eat the following breakfast that follows.

We slip into the packed chapel. Bouleau Pok players and spectators, big and small, young and old, are in full voice. In the Café Pene a few dozen away the breakfast, described by Le Scour as "Muscadet, Calvados and Bordeaux" but includes plates of ham, pâté and crêpes, is being laid out.

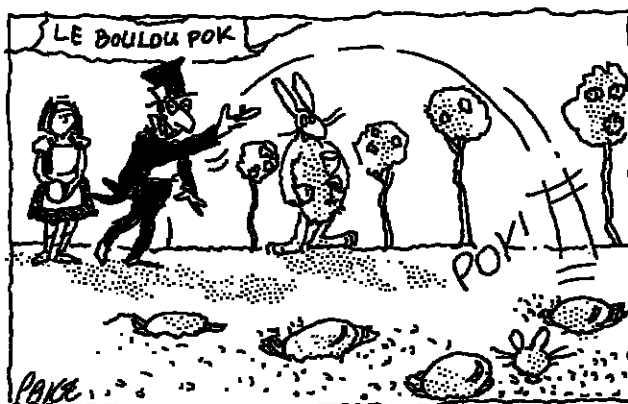
After the short mass we move with the procession to the café led by a Breton piper and a drummer wearing a policeman's uniform. Glasses glisten on lines of tables. Everybody hustles to their seats. Some are soon back on their feet singing in Breton. Bottles arrive.

The first to leave the crowded café after an hour or so are the women. They are not permitted to play Bouleau Pok. Laurence, my Breton friend who is translating, asks why she cannot play. "Ah! Le Bouleau Pok c'est trop lourd pour les femmes," somebody replies.

I pay FF20 and am given red and yellow cards. I pin the red card, which says "Sudistes" to my jacket. The yellow card says "Gwin Bian". Breton for "small wine". I put that one in my pocket.

I wonder why I am a sudiste. My house does not face north or south. "Ah! Oui," says the president, players with houses facing east or west are allocated according to the direction of their fireplace. Mine faces north, so I join the sudistes.

We cross the road to the Place du Martray, an oblong square lined with trees and 18th century granite houses.



Bars run down either side. I am bolstered by the sign in the window of the Martray Crêperie, "Fermé mardi pour Le Bouleau Pok," it says, and then, "Vive le sud."

Our sandy Pok patch faces the 17th century law-courts in which a dummy, dressed in an overcoat, has been tied to the

bars of a window. The nordistes win the toss and the Bretons begin to throw their boules. The first hits the sand and says "pok".

There are about 90 players, many beginning to show the effects of the drink. The players wear their normal clothes and one man stands out

because he is wearing a jacket, shirt and tie beneath a raincoat.

A player throws twice in each game. When everyone has thrown there is a huddle over the poks and a loud debate about who gets the points. The first team to reach 12 points wins a match. The team that wins the best of three matches is declared world champion.

Throughout the game, players drop into the nearby bar. In Le Bellassis I try to buy a drink. Madame la patronne tells me I can pay later, if I am able to stand up. Our team is losing. Sipping a small Muscadet, the veritable president, Le Scour, assures me this is because some of our best players are being held up drinking in the mayor's house. Calls for reinforcements resound from the match and players trot out of bars from all directions to throw some more poks.

The game is won before 4pm by the nordistes. The laurel

leaves are handed out to the winners. But this is not the end of Bouleau Pok. The café owners now play a match to determine who has the honour of serving the Gwin Bian. Le patron of An Toll Tou wins.

But we are led to another bar. Le Bellassis. "An Toll Tou later," I am told. Inside the Bellassis, a large smiling man with a laurel leaf pinned to his flat cap buys me a demi.

"Why do you English play with the sudistes," he asks me. "Because my fireplace faces north," I say.

"Ah!" he says, "but where is the sun at midday at your house?"

I shrug and point above my head.

"Voilà!" he shouts. "Next time you play with the nordistes."

Slowly, we make our way to An Toll Tou which is booming out Breton music of flute and guitar. We produce our yellow

Gwin Bian cards and are handed drinks. Leaning on the bar next to me is the man in the shirt, tie and raincoat.

"I am the notaire," he tells me in English. "Come and have a drink with me."

He pours himself another Ricard and I have a demi. I can just hear him above the revelry elsewhere in the bar.

"Le Bouleau Pok," he says, "is tradition. Very important for our children."

The final fixture of the Bouleau Pok starts with the Gwin Bian (large wine), then goes on with a feast at the restaurant Bargeuden. We turn up around 8pm, passing staggering players on the way. We eat soup, ham with boiled potatoes and carrots, pork with chips and haricots verts, cheeses, fruit and coffee and drink bottles of Bordeaux.

Some players are standing on their chairs, singing. One man plays a pipe throughout. People come and go. We are ready to leave but the singing goes on.

A familiar face crashes into our table. It is the notaire. He waves his hand in the air. "All drunk. Everybody drunk," he says and staggers off.

No one switched on the lights

Richard Donkin almost fulfils an ambition to see the aurora borealis

Nature's greatest light show was only three hours away as the sun, like a struggling performer with no more than a cameo role in a perfect day, departed downstage beyond the snowy hills.

The ice blue tincture of dusk settled upon the landscape. Conditions for a display of the northern lights, the aurora borealis, were ideal. The sky was clear, the air, crisp and sharp. Tromsø, the most northerly city in Europe and perhaps the best placed community from which to witness this phenomenon, was still shivering in the grip of winter, situated well above the Arctic circle.

A visit to northern Norway had seemed like a good idea, the opportunity to fulfil one of my ambitions. For someone whose previous experience of the northern lights had been the Blackpool illuminations on England's windswept north west coast in October, the invitation to witness something a little more spectacular 1,000 or so miles further north had been something to savour.

For most of Tromsø's 55,000 residents, the northern lights seem hardly worth the neck ache. The lights appear all winter round. Far more of an excuse for partying in this locality is the sun's first appearance of the year on January 21. The best party of all does not start until May 21 when for two months the sun never sets and Tromsø hardly sleeps.

In winter, there is an air of hibernation about the community. It has not, however, prevented some of its more enterprising residents putting some

thought into enticing visitors from more southerly parts.

By February, the sun is already around for seven hours in the day and, between snow showers, the weather is surprisingly accommodating if you stay close to the coast, which is warmed by the Gulf Stream.

Stray a few miles inland and the temperatures take a serious dip. Minus 20°C is not exceptional. Tove Hansen, who with her husband, Kjell, has set up a business offering dog sleigh rides, is expecting temperatures of -40°C when next month she takes part in the Finnmarksløpet, Europe's longest dog sleigh event. It runs for between five and eight days across 1,000kms of the Finnmark Plateau, one of the continent's few remaining wildernesses.

She did not seem too daunted by the ordeal. "I'm eating and sleeping this race. I can't wait to begin," she said. Tove was hunched over a large cockpit stewing reindeer meat by the fire at the centre of her laue - the traditional wigwam-like tent of the Sami, people perhaps still better known outside their own community as Lapps.

She does not live there. Neither do the Samis much any more, but the tents can be fun for visitors. With reindeer skins draped over birch twigs on the floor, they are a surprisingly comfortable alternative to a conventional hotel. The lack of hot and cold running water seems a petty inconvenience, given the sub-zero temperatures outside.

The Hansens are planning to erect a tent 100kms away, with supply stops, to allow dog sledding parties to travel further

afield for overnight stays. Dog sleigh riding, too, is far more civilised than those who have ever read Jack London books may be inclined to believe. The dogs only bark before they set off. Even driving the teams is comparatively simple as long as you do not fall off.

If there is one disappointment in accompanying Hansen it is that she steadfastly refuses to use the word "mush" and coaxes her dogs by saying "yes" to them instead. The sleigh rides on Kvaløya island, just west of Tromsø, pass over an undulating carpet of snow, broken by clumps of birchwood and criss-crossed by reindeer and elk tracks.

The reindeer are owned by Sami families who jealously guard their herds all year round. Just how many reindeer there are in Norway and Sweden is difficult to gauge because the Samis will not say.

"Never ask a Sami how many reindeer they have. They say it is like them asking

us how much money we have in the bank," said Finn Melvaer, who runs the Ramfjord camp site near Tromsø. He was laddling out some reindeer broth which tasted exactly like that in the tent.

Here, however, there was no such protection. We were standing out on the frozen fjord as Finn explained the finer points of ice-hole fishing, another popular local pastime. It was a familiar expertise, not because I had fished in this way before, but because there were no fish about.

Finn's promised shoals of cod had fled. There is something slightly distressing about standing on a desolate expanse of ice with a piece of limp monofilament line in your hand, feeling increasingly hungry, asking what is for lunch and hearing "cod" in reply.

Spirits lifted slightly when we strolled over to Finn's pal, Sven, who was about to haul in his 100-metre long net strung beneath the ice between two

poles. He did explain how he did it, but I could not make much sense of it. After 10 minutes of hauling, all he had to show for it was a cigar-shaped codling that would not have filled the tip of a fish-finger. Cod was off. We had reindeer

For Tromsø's residents the northern lights seem hardly worth the neck ache

burgers instead.

So much for the novice hunter-gatherer. In Tromsø's Polar museum you can see what happened when men were really men and this was the huntin' shootin', fishin' and explorin' capital of the north. Chased residents who used to lead young polar bears

around Tromsø's streets, after first disposing of their mums and dads, look back with some sadness to a past era. It was not so long ago.

The daddy of them all, Henry Rudi, who died in 1972, shot 712 polar bears during his hunting career which ended in 1948. Walrus, musk ox, polar bears, seals, arctic fox and geese were all mercilessly hunted in Spitsbergen to the north and Greenland. Given Norway's pro-whaling stance it is not surprising to find that the museum exhibition is in no way mounted as an apology.

A statue of Roald Amundsen is one of the few reminders of the old days. Today, the community has softened markedly, partly perhaps because of the influence of Christianity. A triangle-shaped cathedral was built in 1965. Its northern window used to provide a commanding view of the mountain beyond; too commanding for the preachers who struggled to compete for the congregation's

attention. So the view was blocked by a stained glass window and the architect never put a foot in the building again.

The creation of the university also seems to have had a civilising effect on the community. While the unemployed fishermen drown away their yesterdays in the town's beer hall, the new breed of intellectuals are content to spend their time studying the aurora borealis.

The university planetarium shows films of the northern lights from every angle. The only thing it cannot do is switch them on. For three days clouds had obscured the sky. "It's been like this all week but we will get them tonight. It will be a spectacle," said Borge Bergen-Olsen, the planetarium's technical director.

It was the final cruel twist of the knife. My flight left at 4.30pm. Cod was off and so were the lights. At least you can rely on the Blackpool illu-

minations. There will always be a television soap star to switch them on. Deprived of a celestial Vera Duckworth to answer a silent prayer, I mounted the aircraft steps, chin on chest. No cod, no northern lights, no laughing matter.

Further information is available from the Norwegian Tourist Board, Charles House, 5 Lower Regent Street, London SW1Y 4LR, tel 0171-839 6255. The flight was provided by SAS which has recently launched a new tour programme SAS Holiday World, tel 011-551 8888 covering holidays in Norway. For touring by car, Colour Line (0191-296 1313) sails from Newcastle to Bergen twice a week in winter and three times a week in summer. A 17-day self-drive Arctic Tour with three nights in Tromsø starts at £988 per person. Also popular is the Norwegian Coastal Voyage (tel 0171-371 4011), an 11-day round trip calling at 34 ports.

Skiing / Arnie Wilson

A view of Finland from the fast lane

Lapland. A crisp, invigorating but distinctly chilly morning. We are 100 miles north of the Arctic circle and 1,000kms north of Helsinki.

The slopes of Olos overlook endless forests of snow-blanketed pine trees. Our ski guide, Janne Oja asks: "How do you like to ski? Fast, medium, or slow?" I figure that any instructor with an earring and a pony tail is likely to be a bit nifty. "How about medium fast?" I venture.

Ha sets off like Tommy Moe in the Olympic downhill at Lillehammer. Tiny crystals of airborne snow catch in our throats as we hurtle down in his wake.

Next time, I suggest slow to medium. It does not make a Finnish pencil's worth of difference. Oja (Finnish for "ditch") is only capable of skiing very fast.

Since the slopes at Olos are less than a mile long, there is not much scope for lagging too far behind. And to be fair, Olos is better known as one of the world's best cross-country areas.

With up to 300kms of tracks spreading into the heart of the Pallas National Park, Olos attracts most of the world's international cross-country teams as early as the first

frosts of October, when 7kms of tracks are liberally doused by snow guns. I had never realised that even cross-country skiers use artificial snow in early winter these days.

Cross-country skiing is Lapland's most important "product". It is so popular that 70 per cent of the winter guests at the Hotel Oloustunturi resort, complex at Olos are foreign.

Finland's largest downhill resort, Ylläs, about 50kms away, has some serious downhill skiing and extensive areas of excellent off-piste. Another resort, Levi - only about 10 miles from Kittilä airport - is about the same size but has a lower vertical drop (about 1,000ft). It too has some excellent off-piste tree skiing. Anyone who thinks Finland has only taken alpine skiing will be greatly surprised if they visit either resort.

Ylläs, with skiing on both sides of the mountain, has 33

runs and 16 lifts, all T-bars. The vertical drop is a respectable 1,500ft. It also has plenty of cross-country skiing of its own - about 280kms - and all this is good enough to attract a

nity. People can knock on your door if their car breaks down at three in the morning. The neighbours may seem nosy but they're not. In big cities your neighbour might die and nobody knows. That could never happen here.

Over a shrimp salad and fried salmon with honey at the Hotel Ylläs resort, the biggest hotel in Ylläs, Anne continues: "We can eat quite well in the north of Finland - fresh salmon, fresh reindeer. There's no industry, just the nature. You don't have to live like a savage the whole year - but you can."

Having just met my first reindeer - wide-eyed, gentle and tethered to a sleigh - I was reluctant to eat one. But in Finland almost everyone from the prime minister downwards soon succumb, be it smoked, sautéed, stewed, dried or made into soup.

After a snowmobile journey

to a log cabin for lunch in the forest near Olos, I found that reindeer fillet was just about the only thing on the menu, except for potatoes and bread cheese (which you warm in your coffee).

Reindeer is a staple diet in Lapland. But not the only one. About 66,000 ptarmigans a year are killed, along with 11,000 capercaillies, 2,700 black grouse and 4,400 hazelheens. Some 2,800 foxes are also killed here every year. Yet the Lapps use a mythical fox in their local expression for the aurora borealis (northern lights). They call it Revontulet - a fox's tail brushing the sky.

At this, Oja the ski instructor, who had joined us for lunch, suddenly observed: "Renoir spent years in Paris waiting for the blue moment - when the light is that beautiful shade of blue. Here in winter we get an hour or two of blue moments every day."

Arnie Wilson's visit to Norway, Sweden and Finnish Lapland was arranged by Ski Scandinavia, 10 Grange Avenue, Leicester LE3 3HR. Tel: 0533-395000. In Finland, he stayed at the Hotel Ylläs resort, Ylläs, near Ylläsjärvi, and the Oloustunturi Hotel, Olos, near Muonio. Kittilä airport is 14 miles from Ylläs and 44 miles from Olos.

A prime minister on skis

My meeting with Esko Aho, the Finnish prime minister, was not scheduled. But such is the lack of security in easy-going Finland that even in the middle of an election campaign I was able to gatecrash the premier's breakfast.

When I accidentally entered the wrong breakfast room of the Hotel Oloustunturi in Olos, in the heart of Lapland, there was no private detective to throw me out, no armed guard to pin me against the wall. Just Aho, his sons Antti, 13, and Jukka, 11, his driver and his ski instructor Matti Myllykangas, enjoying omelette, herring, salmon, cold meats and cheese.

I apologised and prepared to leave, but the urbane Aho, who has led the governing centre-right coalition since 1991, bade me stay. "I should be in Reykjavik at a meeting of the Nordic Council," he said. "But the weather was so



Esko Aho: pretty relaxed politician

had when we reached Iceland last night that the flight could not land and had to return. So I am spending the day here skiing."

Skiing is a source of division within the Aho family. The prime minister is an avid cross-country skier but his sons are fervent downhillers. Aho, resplendent in his vivid blue and green cat-suit, will today ski 10kms before lunch while his sons stick to the downhill slopes at Olos.

"Sometimes they accompany me on cross-country skis," he said, almost gratefully. "I have never skied downhill.

Once or twice I have tried but my boys were so much better that I gave up. My wife tried also but I think she did not succeed."

"But cross-country skiing is such a popular sport in Finland. More and more people are trying it, especially young people. It is the future of skiing."

What about snowboarding, I had the temerity to ask. My question did not sway him a centimetre. "I recommend cross-country. I come to Lapland several times every season, starting in October. It is especially nice at Easter when it is very warm and beautiful."

"We have very well-made tracks stretching 200-300kms into the Pallas national park, the oldest in Finland, so every day is different. This part of the world is very special. A good place to escape political pressures."

All pretty relaxed from a man facing national elections on March 19. If he loses, he will have more time for skiing. If he wins, he will doubtless make time for his principal passion anyway. Perhaps other world leaders might find it a relaxing diversion too.

Arnie Wilson

TRAVEL

Tough, but the best trek in the world

David Waller follows ancient trade paths along the Silk Route in the mountains of northern Pakistan

We sat in the shade of a boulder next to the torrent, eating our lunch and trying to work out where the track went next. The guide book clearly said: "Follow the ancient cliff-top path to the bridge." It slowly dawned on us that the cliff had fallen into the river, a victim of landslide, a common hazard in the mountains of northern Pakistan.

Before we could decide where to go, we heard a shout. Coming along behind us was Manzoor Karim, who turned out to be the son of the local schoolmaster. In impeccable English he explained that we were hopelessly lost, that we had to follow him back before the river rose - fed by the afternoon's snow-melt from the mountains - to cover the return path.

It was fearfully hot so when we arrived at his village we gratefully seized on his offer of a pot of green tea. He led us across fields to his family's orchard, perched on terraces 1,000ft above the river.

We lay there in the shade, listening to the faint roar of the river and gazing at the ice-capped peaks. When we felt hungry, we shook the trunks of the trees and down came dozens of exquisite apricots.

This was only a training outing ahead of our big adventure, a three-week trek across northern Pakistan, close to the borders with Afghanistan and China. But the day left us with a sense of the spectacular, if harsh, beauty of this mountain country, and the warmth and hospitality of the people. The impressions were reinforced daily in the weeks ahead.

Our aim was to cross the three passes of Boroghil, following ancient trade paths along the Silk Route linking China with the bazaars of central Asia and the west. Last century these valleys were at the heart of the Great Game, marking the unstable borders between British India and the Russian empire.

For most of this century they have been closed to foreign travellers, but more recently the valleys have been opened



On top of the world: David Waller and companions enjoy the spectacular if harsh beauty of northern Pakistan's mountain country

to bands of trekkers. Traveling with Karakorum Experience, a company based in Keswick, Cumbria, which specialises in organising treks in this part of the world, we were one of the first parties of westerners to visit the area.

It is not formally a mountaineering trip but the 180 miles of path through the Hindu Kush and Karakorum ranges is tough and unrelenting and should only be attempted if you are fit and game for adventure.

It is hard work just getting to the start of the walk - a two-day truck ride north from Chitral, itself an uncomfortable 24 hours along the Karakorum Highway from Rawalpindi. Thereafter, we had to adjust to the trekking routine - up at dawn, sleep under canvas at nightfall, with a long day's walking in between.

There are few of the creature

comforts which trekkers in Nepal have come to expect - no tea-houses along the way where you can slake your thirst with a bottle of Coke. The trekking industry is in its infancy in this part of northern Pakistan and everything has to be carried in from the roadhead by dozens of nimble-footed porters.

The trek starts gently enough with a two-day ascent to the Shah Jinali pass, the first of the three we were to cross. This is a smooth grassy plateau grazed by wild ponies and goats; in days gone by it was used as a polo ground by the local kings. This was classic Hindu Kush terrain, explained Pete, our English trek leader - lush green in the foreground and mountains and glaciers on the horizon.

But that afternoon we turned the corner into the Yarghun valley, and the landscape

changed abruptly. It was a desert of brown scree slopes with small settlements and fields clustered around the river at the valley floor and patches of vivid green high above - fields irrigated by drainage channels leading from the glaciers.

We had a rest day - one of just three in 15 days walking - which concluded with an impromptu dancing session.

After supper, the cooks started banging out the blue plastic containers out of which the food had been taken, and Farhad and Ayub, two of our local sirdars, got up and started moving gracefully to the beat. The tunes are monotonous, each performance working up to a frenetic climax.

The porters and local shepherds who had come for the party encouraged the build-up with whoops, grunts and yelling. Tired as we were, we joined in, and Graham from

New Zealand astonished the porters with his rendition of a Maori war dance. My contribution was half punk-rock pogo, half Scottish reel, which had the porters roaring their appreciation even if I lacked the subtlety of Ayub's performance.

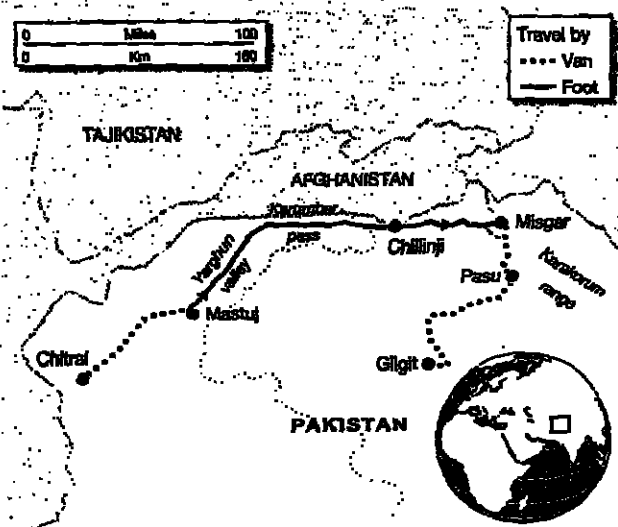
The next dance was several days later at Karumbar Pass, 4,300 metres above sea-level. It marks the boundary between the Chitral and Gilgit provinces. Getting there takes you close to the Afghan border, through a landscape of steppes, grass-covered sand-dunes and rounded hills. We met the colourfully-dressed Tajik and Wakhi people who eke out a living in this remote region; they cheerfully offered us dahi - local yoghurt - and sold us their knitted socks. We set up camp on the shores of a giant turquoise lake beneath yet another glacier. Dancing at this altitude was hard work

indeed - after five minutes of jumping around you were left in a breathless heap.

To recover, we gorged ourselves on the lightly fried intestines of a freshly slaughtered goat, passing the second of our rest days swimming in the lake or searching for rare wild flowers such as Corydalis, Walthamias or Lomatogonium which are to be found up here. We kept our distance from a pair of enormous yaks, the heavy goods vehicles of the Himalayas, which had been hired after a group of porters left to go back to the harvest a few days before. They look friendly enough but a flick of the head is enough to gore a too-inquisitive tourist.

Having seen so many glaciers from a distance, we at last had the chance to walk across one. We dropped down from Karumbar and into a valley to the point at which it was

The best trek in the world



choked off in its entirety by the tongue of the Chaitabot, or destroyer glacier. There was no covering of snow so the crevasses were easy to see and therefore avoid. Pete, a former social worker from Barrow-in-Furness with decades of mountaineering experience, told us there was nothing to worry about and we did not even have to use crampons. But further up the mountain, the glacier was cracking and crashing and it was a relief to reach the rubble of the moraine on the other side.

By now we had reached the edge of the Karakorum range, the most densely packed grouping of high mountains and long glaciers in the world. Roughly translated, the name means black, crumbling rock, an accurate description of mountains formed out of the collision of India and Asia 60m years ago, and still in a state of flux. There is little habitation in the valleys which led up to our ultimate destination, the Chitrali pass at 5,000 metres.

The path to base-camp was the most intrepid yet: we walked through an icy torrent in bare feet, crossed another river sitting in a pulley-like contraption, and then tramped up steep, boulder-choked gullies. The air was thin but we were sustained in part by our desire to cross the final pass -

the last two parties to go up there had failed - and also by the twigs of the magical Tsoum tree given to us by the porters.

The day before the ascent was clear, the views of the western Karakorum magnificent. But during the night it started to snow and when we got up before dawn, it was cold and the final 1,000 metres of scree ascent was coated with ice.

Pete took the decision to go ahead, rather than wait for better weather - the last party to try that had been obliged to turn back. So we struggled to the top, careful not to dislodge rocks on those coming up behind. It was cloudy at the top and the only view was of the expanse of snowfield which constituted our descent.

There was no dithering - it was difficult to breathe at the high altitude - so we roped ourselves quickly and inched across the snow to the moraine below.

When, a few days later we reached the Karakorum Highway and thus the end of our epic walk, we could only agree with Pete's assessment that we had just completed the best trek in the world.

For further details of this and other treks in Northern Pakistan, contact Karakorum Experience, 32 Lake Road, Keswick, Cumbria CA12 5DQ. Tel: 017697 78966.

A night in the queen's bed

I slept in the bed of the Queen of the Netherlands. Before I am charged with these majestic I had better add that it was not her usual bed, but a temporary stopover on the island of Saba, a tiny hip in the Caribbean. It is the most charming bedroom on the island and when she is on a tour of the Netherlands Antilles she sleeps there.

Saba is small - 2½ miles by three miles - but is so rough and mountainous that no road was built there until 1936. When the islanders arrived, one, engineers arrived and simply informed them that it was impossible, so the Sabans took a correspondence course in civil engineering and built one themselves.

Like all its volcanic neighbours, Saba is immensely fertile. From a carpet of elephant ears and grasses on the flanks of the formidable but curiously named Mount Scenery (2,886ft), ferns, palms, banana and breadfruit explode in hundreds of shades of green. Curiously enough for an island of just five square miles and so far from Europe, Saba has the highest point in the whole kingdom of the Netherlands.

Saba is also unfashionably neat. Some of the Caribbean's prettiest clapperboard houses can be found in the villages of Windwardside and the island capital, The Bottom.

Standing in gardens of bougainvillea and hibiscus, they are made of white wood, with shutters painted green or red, and verandas decorated with intricate gingerbread fretwork. Oddly, following a newly-introduced law, every house in Saba has a red roof. It seems a little draconian, but the red looks so good against the green mountainside that you have to agree with the law.

Queen Beatrix makes a tour of the six Netherlands Antilles every five years or so. An already neat island is tidied up yet further and, most importantly, the Winair aeroplane is overhauled.

An island as mountainous as this has few places on which to land an aircraft and so the airstrip - on the optimistically named "Flat Point" - is just 400 yards long, shorter than a self-respecting aircraft carrier, and has a 100ft drop at either end. The reverse thrust is given a thorough going over.

In the way of the Caribbean

the Sabans are easy to get to know and they will ping you straight into local gossip once you are on the island. The population is about 1,200 and they are divided roughly equally between white and black.

Traditionally, Sabans men have left the island in search of work. They became reputed seamen: "Oh yes man, in dem days you see, de ships was made of wood and de men dem was made of iron."

The Captain's Quarters is the most charming hotel on the island. It stands at the bottom of the hill in Windwardside (still 1,500ft above sea level) and its central wooden building, the original seaport's home, is white with a red roof, louvered windows and wooden floors.

My room on the first floor was the nicest room in the hotel, I was told. When I came down later I noticed a residual buzz of excitement in the hotel. I discovered that Queen Beatrix had left earlier that day to continue her tour on nearby St. Maarten.

It suddenly occurred to me: I would be sleeping in the Queen of the Netherlands' bed.

Saba is untypical for the Caribbean in that there is not really a beach there - a migratory patch of grey volcanic sand appears each year in the spring and stays for a few months - but it does have slow, small-island charm and it offers a satisfying visit. It is hardly a traditional Caribbean destination - except for divers, because its slopes are as impressively fertile beneath the sea's surface as above.

In general it tends to be independent travellers and those who make it to the island. I was in a small aeroplane, flying to the Virgin Islands, when I met another visitor to Saba. She was surprised I had been there and said with a southern drawl and a winning smile: "Hey, nice island. Do you know, when I was there, I slept in the Queen of the Netherlands' bed..."

There is no tourist office in the UK with information on Saba. Most up-market tour operators will include the island in a tailor-made itinerary, but only Horlequin Worldwide (tel: 01753 3780) features the island in its brochure.

James Henderson

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SPORT



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The Bentley Azure. A super-luxury four-seat convertible for the motorist who already has absolutely everything

Motoring / Stuart Marshall

A symbol of mega-affluence

Two British cars are the star turns at the Geneva Salon International de L'Automobile, which opened on Thursday. The Bentley Azure is the ultimate in convertibles – a car for buyers who never have to ask “what will it cost?” but only “how soon can I have one?” And the new MG two-seater is the car for which MG buffs have been waiting for more than a decade.

For the record, the list price of the Azure is £182,978 before tax, which in Britain means considerably more than \$200,000 on the road. Only 118 will be made this year.

The Azure bears about the same relationship to an ordinary soft-top as Blenheim Palace does to a three-bedroom house. It is a close relative of the Bentley Continental R, which made its debut at

Geneva four years ago.

Turbocharging and intercooling have boosted the output of its venerable 6.75-litre V8 to a level that Rolls-Royce does not disclose but which must be at least 350 horsepower. In any event, it is sufficient to allow you to heave this 2½ tonne or more car from a standstill to 60mph/96kph in 6.3 seconds. A Jaguar XJR with a determined driver would beat this, but only just.

Fuel consumption is put at 9.9mpg (23.51 l/100km) in the urban cycle and a

projected average of 15.2mpg (18.61 l/100km). Not only is it Britain's costliest four-seat convertible, it is also the thirstiest.

Such mundane matters as fuel consumption will not concern Azure buyers. The car is a symbol of mega-affluence, an indication to the world that you can afford the very best.

The MG, to be priced between £16,000 and £18,500, will be the first really affordable mid-engined sports car since the Fiat X1/9 went out of production six years ago.

It is powered by two new 1.8-litre variants of Rover's K Series engine. One version produces 120hp; the other, with a variable valve control system, 145hp. Rover claims 0-60mph (0-96kph) times of 8.5 seconds for the former, and seven seconds for the latter, and top speeds of 120mph (193kph) and 130mph (209kph) respectively.

Tucked away behind the seats, the engine drives the rear wheels through a five-speed gearbox. The suspension is by double wishbones all round: front and rear

brakes are discs, with an anti-lock system standard on the dearer VVC model and an optional extra on the standard MG.

The fabric top was engineered, like that of the Azure, by Pininfarina of Italy, but on the MG it is manually operated. An optional hard top with full headlining and heated rear window can be used to “winterise” the MG: the fabric top does not have to be removed first.

But does the MG mean very much to the under-30s who will inevitably just after the MG? I doubt it. It is a long

time since the last MG came off the production line at Abingdon in 1980. The name, once revered, was subsequently debased by MG-badged versions of the Austin Metro, Maestro and Montego.

A limited production run of the MG RV8, a machine cobbled up in 1992 from modified MGB body shells and Rover V8 engines, may have helped keep the name alive, but it hardly burnished the MG image.

But if the MG is as good as it looks, it should carry all before it as a reasonably environment-friendly cult car for the late 1990s. The first cars in the showrooms this summer will be standard versions, with the higher performance VVC model following later in the year.

More next week about the show, which is at Palexpo, adjoining Geneva airport, until Sunday March 19.

Golf / Derek Lawrenson

The women rebound

Two years ago the Women's Professional Golfers' European Tour was a tee shot from bankruptcy. The end of year accounts revealed a surplus of just £5,000.

“If it hadn't been for a donation of £50,000 from the Royal and Ancient we would have gone under,” said Terry Coates, who played his part by agreeing to take on the role of chief executive on half-salary.

Look at the tour now. Some of Europe's best known companies have climbed on board: Marks and Spencer, Ford, Country Club Hotels, Weetabix, Evian water, and even Wilkinson Sword.

Last week the tour caught its biggest fish yet when American Express agreed to underwrite the circuit to the tune of more than £2m over three years. This represents its biggest sports sponsorship in Europe and is the sort of figure that hitherto only the men's game was able to attract.

“We chose the ladies' game because it offers better value for money,” said John Peterson of American Express. “We have sponsored a men's event in the past but there you spend a lot of money for a four-day tournament and that's it. Here we were able to sit down with Terry and discuss our business objectives and try to achieve them over the course of a year.”

In 1993 women's professional golf appeared to be doing well. The circuit offered 27 events and with the sport enjoying fashionable status and drawing sponsors it had everything going for it, including a young Laura Davies.

By the time Coates took over in 1993, however, management problems and public bickering had reduced the number of tournaments to nine.

Coates was 63 and had retired from various top marketing positions, including British Airways where he was responsible for the “World's favourite airline” campaign. “The tour was in a desperate state,” he said. “There was no strategy and no vision and the continual changes in management hadn't helped.”

“The players were running the show and that simply wasn't working. They had to get back to what they were best at, which of course is playing. The tour needed to be run as a business which has long been the secret of the men's game.”

Victory in the 1993 Solheim Cup over the US gave Coates something to work with. He could point to players such as Davies and the Swedes Helen Alfredsson and Lotta Neumann and say that Europe was home to the world's best players.

He persuaded sponsors to have another look. Last year the circuit offered 17 tournaments and this season there will be 19 with prize money well in excess of £2m. This falls against the men's £25m spread over 36 tournaments, but it represents progress.

Coates has managed to introduce tournaments into Britain and Ireland where the game had almost no profile. This year there will be English, Scottish, Welsh and Irish Opens and they will be played on good courses.

The English will be staged at The Oxfordshire which is one of the best new venues in Europe. The Ford Ladies Classic will be held at Chart Hills in Kent, another highly-rated modern course.

Two events on the schedule will be televised by the BBC, while Sky will also feature two events live for the first time.

The American Express deal is similar to the umbrella sponsorship that Volvo provides for the men's tour.

Davies remains his biggest attraction. Last year she became the first golfer of either sex to win on five different tours in one season, establishing herself as the finest woman player of her generation.

She must have been tempted to take advantage of her achievements on the lucrative US LPGA tour. Yet once more she will criss-cross the Atlantic this season to play in a dozen European events and so help the circuit to flourish.

“The first thing I am asked every time is whether Laura will be playing,” Coates said.

“My dream is to build a circuit on which the prize money is such that she can play here full-time. At present we have about 15 girls in Europe who are making what you would call a good living. 25 who can pay their expenses, and the rest are doing it for love and the hope that one day it will get better for them.”

“What we want is a circuit on which 60 women can reap the rewards of their hard work and live well off their earnings.”

Two years ago a life as a professional golfer looked like no life at all for a woman. All the best amateurs cancelled their plans to turn pro because there seemed no point. This year, 40 have done so and many of them will be in Spain next week for the first Ladies Qualifying School.

Coates, the man who had 25,000 to play with in 1993, dreams of a £5m circuit by next year. “I think we'll get there too,” he said.

Ice skating / Marilyn Bentley

Dancers with boots and blades

This weekend in Birmingham, the National Exhibition Centre hosts the climax of the 1995 World Figure Skating Championships. With a budget of around £3m, and more than 200 competitors from 50 countries, it is the biggest skating event ever staged in the UK.

Figure skating occupies a peculiar place in the pantheon of competitive sport. It is widely followed – the BBC, as host broadcaster, will be feeding 43 international visiting television networks – but its devotees are as likely to be dance enthusiasts as sports fans.

Its attractions are ambiguous. Skaters, like gymnasts, are athletes of a high order, under constant competitive pressure to increase the difficulty and complexity of their routines. But technical skill is only part of the story. Half the marks in competitive skating are awarded for “artistic impression”, a nebulous mixture of musicality and showmanship which is easier to recognise than to define.

This hybrid of athletics and aesthetics makes many sports fans queasy. In soccer, a goal is either scored or not scored; teams do not win matches on style. At the other extreme, the artistic conventions of skating can drive balletomanes to hang themselves in their pointe shoes. The movements are related to dance; the jumps to the *tour en l'air*, the spin to the *pirouette* and so on. But instead of the flexible dancer's instep, the body line ends in rigid ankles encased in bladed hiking boots.

Over the years of international competition, the balance has shifted back and forth between artistry and technical display. After a longish period of exciting and innovative choreography, athleticism is now in the ascendant. Medal contenders in all sections have been obliged to stuff their programmes with technical fireworks, at the expense of a sensitive and coherent interpretation of the music.

Men's competitions are now dominated by technical heavyweights. Numbers of triple, even quadruple jumps are essential to winning programmes, and choreographers have yet to solve the artistic problems presented by the sheer difficulty of what skaters are attempting. It gives the whole competition a suggestion of gritted teeth.

With this accent on athleticism, the ice dance final was bound to be choreographically disappointing, with the top couples outdoing each other in flailing limbs, opposing body lines and convoluted lifts. Similarly, the

women's competition, which ends today, favours the power of Surya Bonaly, five-times European champion, over more elegant but less dynamic challengers. So, if dance fans are annoyed by the emphasis on glacial acrobatics, and sports enthusiasts are irritated by the art, why does figure skating exert such an appeal?

Some of the attraction may lie in its aura of innocence. But skating has had its controversy. The complex system of marking, which depends upon the order in which judges rank competitors as well as the number of points allocated, has evolved against a background of complaints about partisan scoring and allegations of rigging. And last year Nancy Kerrigan, the US skater, was attacked shortly before the Winter Olympics.

More traditional skating scandals revolve round whether a daring new move infringes regulations about which parts of a skater's anatomy are allowed to make contact with the ice. A competitor can even lose marks for an immodest costume. The British judge Virginia Riley marked down an almost flawless performance by the 1989 Soviet champion Alexander Fadeev because of the male equivalent of a visible panty line.

It is a sport in which every spectator can be a judge, even if they do not know a triple toe loop from a left hook. “Artistic impression”, even for experts, is ultimately subjective. Skating programmes can be based on any style of dance, from jazz and folk to classical ballet or the Viennese waltz. At world class, deciding between them is akin to comparing Fred Astaire and Ginger Rogers with Fonteyn and Nureyev, or Gene Kelly with John Travolta. It is a matter of taste.

Figure skating also offers the appeal of the circus: daring young men, and pretty girls in spangles. Figure skating is graceful and theatrical. It not only looks dangerous, it is dangerous. The movement executed in pairs competition, where the woman's body is swept round in an arc almost parallel to the ice, is not called a *death spiral* for nothing. For the spectator, it provides the frisson of watching the trapeze artist perform without a safety net. A tiny misjudgment can mean the difference between a gold medal and a gold tooth.

At its highest level figure skating is a sublime synthesis of precise physical prowess and artistry. And which other sport rewards competitors not only for getting it right, but for getting it beautiful?



Jennifer Goolsbee and Hendryk Schenberger of Germany, at the World Figure Skating Championships

Kevin Lumsden

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FOOD AND DRINK

Lunch for a Fiver: why 200,000 took part

Nicholas Lander reports on the success of the FT's latest restaurant promotion and hears what restaurateurs have learned from the experience

Top ten £5 menu

1. Bryn Howell Hotel, Llangollen, Wales (01978-860331)
2. Marsh Goose, Moreton-in-Marsh (01608-652111)
3. Percy's, Harrow, (0181-427 2021)
4. S.W. Baker, SW1, (0171-630 5430)
5. Frederick's, N1 (0171-568 2888)
6. Hole in the Wall, Bath (01225-425242)
7. St James Court Hotel, Exeter (01392-217736)
8. Daphne, NW1, (0171-267-7322)
9. Futuress, EC2, (0171-838 6341)
10. Clos du Roy, Bath, (01225-444450) and The Brackbury, W6, (0161-748 0107).

Top Ten £7.50 Menu

1. Wife of Bath, Wyke, Kent (01233-612232)
2. Pomegranates, SW1 (0171-528 8568)
3. Winners Rooms, Ladbroke, (0131-564 6767)
4. Mafeking, Bristol, (01272-228558)
5. The Castle Hotel, Tunbridge Wells, (01892-278711)
6. Warehouse Brasserie, Colchester (01206-785656), and Cheevers, Tunbridge Wells, (01892-55524)
7. Adelphi, Norwich, (01603-633622), and Old Forge, Stroud, (01903-743002)
8. Café Lazare, SW7, (0171-581 9963).

Top ten £10 menu

1. Witheringham Fields, Witheringham, Humberside (01724-733098)
2. Giddeigh Park, Chagford (01647-432857)
3. Stephen Butcher, ECI (0171-490 1750)
4. Borealis, W1, (0171-754 4758)
5. The River Café, W8 (0171-381 8824)
6. The Promenade at The Dorchester, W1 (0171-629 8888)
7. Beauchamp's, EC3 (0171-621 1331)
8. Horsted Place, Uxbridge (01825-750651)
9. Overton's, SW1 (0171-838 5774)
10. Beljeman's, ECI (0171-796 4981).

Winning FT readers

The following three readers have won a prize, in our free draw, of dinner for two at a restaurant of their choice, up to a value of £200: Ms Ann Klemm of Barnet, Herts; Mrs J.A. Rose of Appleton, Oxon; and Dr D.J. Lees of Aberdeen, Scot.

Two days ago, among the usual bills, was the following letter from a reader: "I just wanted to say what a wonderful fortnight you organised for all who took up the 55 plus lunches. I was lucky enough to take my mother out to Witheringham Fields, my best friend out to Simpsons-in-the-Strand and my husband to Enoteca in Putney. It helped to make my February much, much shorter."

The reader was referring to our FT lunch promotion, last month, in which some of Britain's most popular restaurants offered set lunches for £5, £7.50 and £10 with the chance of prizes for restaurateur and reader alike.

Witheringham Fields on Humberside won our prize in the £10 category - faultless and to Simpsons we gave the booby prize since there was not an FT report card to be seen. Its spotted dick is lovely, however.

Although I received many compliments there were also several complaints. Many letters accompanied the 12,000 questionnaires completed by some of the people - around 200,000 - who took part in this year's promotion. The questionnaires represent what is thought to be the largest snapshot of the British restaurant scene ever recorded.

Gill Rowley, of the Consumers Association which publishes *The Good Food Guide*, reports that, pre-recession,

when restaurant-going was at its most popular in the UK, they received no more than 10,000 reader reports a year.

Within the FT we have processed the questionnaires to arrive at the top restaurants in each category and their names are printed alongside. We also rang the restaurateurs to gauge their reactions.

The most important criterion was the spirit in which restaurants, and to a lesser extent customers, entered into the promotion. In early December, I wrote to all the restaurateurs to ensure that they were at their very best during this fortnight. I gave most importance to number five on the questionnaire: "How well did the restaurant enter into the spirit of the competition?"

I saddened me when an old friend phoned to say that after two excellent FT lunches in London, at Odette's in NW1 and Byron, NW3, he was disappointed in Jules, W1. He said he had booked well in advance, specifying the FT menu but was initially given the *à la carte* menu. This was rectified but he was then served a glass of wine with cork floating in it. This too was rectified - as was the missing bottle of mineral water which he had ordered. The last straw, he felt, was when, after establishing that leak and potato soup was the soup of the day, he could not order it, as it was not being offered to FT readers.

Peter Aspdren, the FT's deputy arts editor, fared no better at Butler's Wharf Chop House in London, awarding it 12 marks out of 50 and commenting: "I was made to feel cheap. A terrible experience."

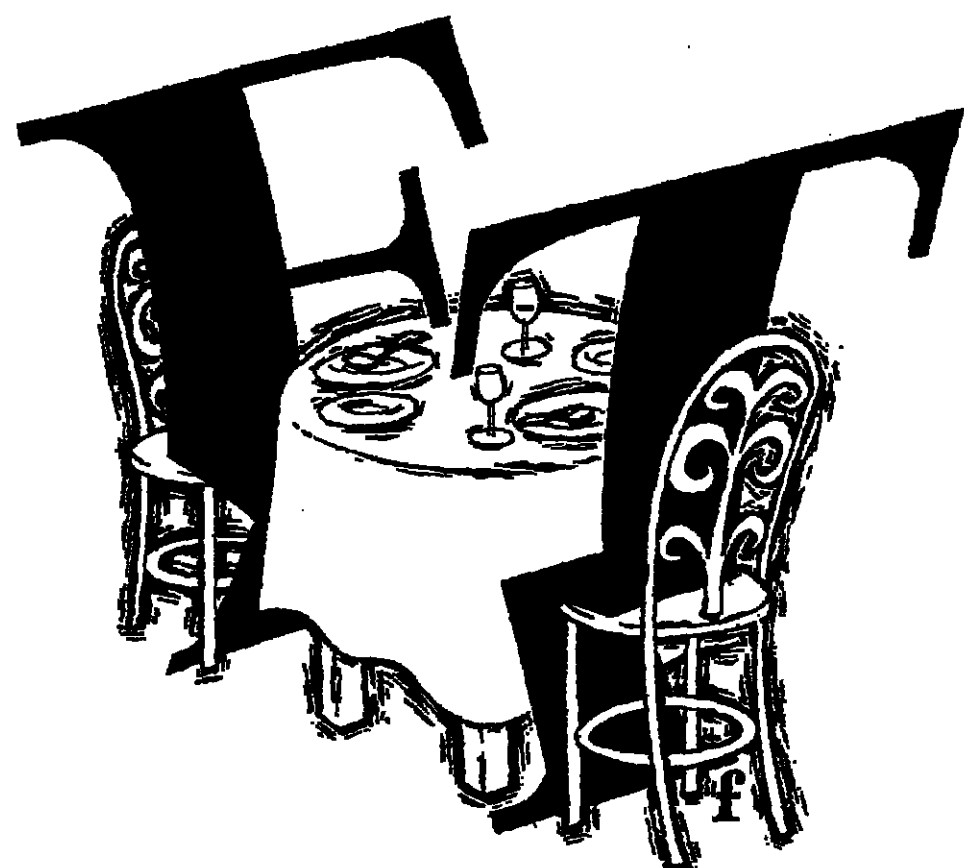
Questionnaires also charged the Dome restaurants, Belgo, Thierry's, the Café Mio and Café Rouge groups in London, and the Crab and Dragon of Camberley, Surrey, with not entering into the spirit of the competition because they chose price categories higher than their normal menu prices. I had hoped that in restaurants where this might be the case a special, value-packed menu might be offered for the fortnight but this was not to be.

In restaurants with more

than one branch, communication was obviously a problem. One reader's request in a Café Rouge for the FT menu was interpreted by the waiter as a request for a cup of tea. But, where meals did seem to go wrong, several restaurants reacted promptly.

This year, with only a few exceptions, restaurateurs reported a higher average spend per customer but the two most notable exceptions to this were at Fredericks, London N1, which served 1,692 £5 lunches in a fortnight. One customer asked, ironically, whether valet parking was included in the price, while one couple produced a flask of coffee and promptly requested cups, milk and sugar.

One factor which seemed to



ameliorate the often uneven relationship between restaurateur and customer was the presence of the questionnaires on the table, a view confirmed by Leo Brooke-Little, proprietor of The Marsh Goose, in Gloucestershire.

He said: "Customers were generally appreciative of our £5 lunch although when they came to fill out the questionnaire they took on the role of chief restaurant critic for a major newspaper. One couple gave us four out of 10 for value for money and then tried to book a table for the next day. Customers can be fickle."

David Adlard, a Michelin-

starred restaurateur in Norwich, said: "I joined at the last moment and thank God I did. Apart from a couple of days, we were full and turning over a decent amount of money and PR. It was great motivation and buzz for the staff working here."

Percy's restaurant, Harrow, north-west London, reported an average spend of £13.50 from its £5 menu. In Edinburgh Martin Irons reported that his £10 menu filled his restaurant, Martins, for three weeks with an average spend of £25. Martin Lam, of Ransome's Dock, London SW11 calculated that his £7.50 lunch menu generated an average spend of £22 this year compared with £13 on the £5 menu when he ran the promotion two years ago.

The most precise breakdown came from Paul Henderson of Giddeigh Park, in Devon. Henderson, formerly a management consultant, kept a separate sales ledger for the 15 days of his FT £10 lunch, together with a graph, and gave us these figures: turnover, ex-VAT £7,281.08; average spend, ex-VAT £20.96 (inc VAT £24.47); food ex-VAT £12.77 (this includes those choosing a third course); wine, ex-VAT £5.97; bar, ex-VAT £1.86; other, ex-VAT 25p.

This revenue was generated from 121 tables comprising 349 covers. Henderson confessed that, after 17 years as a hotelier, the FT lunch promotion had taught him a lesson in marketing and convinced him that there is a price at which lunchtime trade is profitable and highly appreciated. The spin-offs of marginal pricing are substantial, too. Staff motivation and the knowledge that many customers will return at full price are the two most obvious. Some 200 customers (150 who came, 50 who could not get in) have already been mailed about a Giddeigh Park Lunch Club - clearly an asset.

John Lloyd, proprietor of Bryn Howell Hotel in Wales, which was winner in the £5 category, saw turnover increase by over 150 per cent during the fortnight, but knows that there is more to come. There were many requests for conferences and functions and, perhaps more surprisingly, a firm booking for a wedding.

Two years ago, the FT's *Lunch for a Fiver* made restaurateurs aware of just how price-sensitive their market was. This year, by extending the price range from £5 to £7.50 and £10, the FT has allowed many restaurateurs to discover a worthwhile lunch trade.

On the second day of this year's promotion Captain Beauchamp Blackett, one of the City's more colourful restaurateurs, sent me a fax. "Great stuff," he wrote, "takings £400 up on previous Tuesdays. Now how about doing something about the evening trade in the City particularly in August?"

Certainly the enthusiasm for another FT lunch offer is clear. In anticipation of an even bigger promotion next year I would like to congratulate the winning restaurants - in each category it was a close-run thing - and thank the many thousands of readers who returned their questionnaires.

It was surely only yesterday that we were all muttering about the wonders of Pinot Noir, how nowhere other than Burgundy could coax flavour, substance and balance out of it.

Having travelled more widely around the wine world in the last year than ever, I have come to realise that this is complete nonsense.

In fact, without even thinking, I could rattle off the following obvious, and many not-so-obvious, screamingly promising regions for this supposedly fickle grape variety: Oregon; the more fog-drenched parts of California; Tasmania; the southern half of New Zealand; southern Chile; the Yarra Valley and Adelaide Hills in Australia; a few pockets of South African vineyard; Somontano in northern Spain; sheltered parts of eastern Switzerland; warmer parts of Austria and Germany; central Italy; I have even tasted a decent Pinot from England for heaven's sake. What is the wine world coming to?

An understanding of Pinot Noir, that's what. And thank heavens for that. Now we can all revise the great Pinot Noir debate. It is no longer a question of where it can reliably produce fruity wines with real, recognisable Pinot aromas, but who can also make a "serious" - by which wine writers tend to mean long-ageing - wine from it.

I am not sure I want to encourage too many producers to get serious about Pinot Noir, however. Young, vibrant, juicy Pinot tastes so delicious, particularly with food (including fish and vegetable-based Mediterranean dishes).

It seems to be appreciated by newcomers to wine just as much as by old hands. So this juicy style of Pinot Noir seems

almost more useful than the deep-coloured, tannic monsters that more "ambitious" producers give us. Perhaps the tougher, long-living style should be left to the lucky owners of Grand Cru vineyards in Burgundy.

I suspect that the apparent barrage of charming young Pinots from newish regions owes something to viticulture: that the leaves on these young vines are not competing too hard for the grape-ripening non-nutrient available.

These are just some of the Pinots I have enjoyed recently.

Oregon

Beaux Frères 1992. Famous for being run by Robert Parker's brother-in-law and wife,

but the wine is terrific. A bit oaky but very bright and fruity. A thousand cases were made and sold almost immediately at \$30 a bottle. The only bottles to cross the Atlantic have been hand-carried.

La Cagoule 1992 is a fine, sturdy wine with the most extraordinarily convoluted name, label and background. Suffice it to say that it is made of Oregon fruit by Jim Clendenen of An Bon Climat (see below) and that oak plays a significant part. £18 from Morris & Verdin of London SE1 (0171-357 8866).

Christom Reserve 1992. Made by Steve Doerner, a refugee from Calera in California. Perfumed, luscious, gorgeous. £18.85 from The Wine Treasury of Fulham, London SW6

Wine

Pick up a perfect bottle of Pinot

Jancis Robinson debunks the myths surrounding the Pinot Noir grape

(0171-731 3171).

Domäne Drouhin. The only American outpost of a pulka Burgundian house, this is an exceptionally well run winery producing consistently fine Pinot Noir. The 1990, which ran off with last year's Pinot Noir trophy in the International Wine Challenge, is £16.99 from Oddbins Fine Wine shops and is also available from La Vigneronne of London SW7.

California

An Bon Climat. Consistently exciting producer in the foggy hinterland of Santa Barbara whose wines do more than whisper b-u-r-g-u-n-d-y. Wines, £12.50 and £13.50, from Morris & Verdin.

Robert Mondavi Reserve. This superior bottling sourced mainly in the cool Carneros is thoroughly reliable for pleasure-seekers. The luscious 1991 is currently £22.50 from Avey's of Bristol.

Williams Selyem is the least slick and most successful of California's Pinot specialists. Gloriously hedonistic wines of real quality. The handsome Russian River 1992 is £27.50 from The Wine Treasury.

New Zealand

Martinborough 1991. New Zealand. This winery in the Martinborough/Wairarapa region near Wellington in the south east of the South Island has made a run of stunning Pinot Noirs (and some excel-

lent Chardonnays). The 1988 was great and the pure concentration of this 1991, unearthed in the Penhelig Arms in Aberdovey, lives on in the memory. Not, sadly, in retail distribution, but Lay & Wheeler of Colchester (01206-764446) and Adnams of Southwold (01502-724222) list the 1992 at just under £11 a bottle.

Fromm Estate. A new, Swiss-owned outfit in Marlborough actually has its own winery and has some very promising 1994 Pinot in barrel. A name to watch.

Australia

Coldstream Hills Reserve 1993. Gorgeous stuff from the Yarra Valley thanks to Australian wine writer James Hall-

day. Pinot Noir grapes clearly have to be picked at the critical moment in this part of Victoria. £11.99 Oddbins.

Freemont of Tasmania. This ambitious winery has run into problems because of the similarly named Western Australian wine producer but its reds, including Pinot Noir, are very fine.

Spain

Vinas del Vero 1989 Somontano. This very true, if slightly light example was a real shock when I first tasted it and wondered where on earth Somontano is. (In the Pyrenean foothills, north east of Zaragoza, is the answer.) £5.99 bigger Saffrey stores.

Germany

Königschaffhauser Steingrube 1990 Baden. This dry Auslese from the local co-op was voted best Pinot Noir from 40 Swiss, Baden and Alsace examples last summer. It has plenty of colour and tastes fully ripe and welcoming.

Gardening

The charms of an exotic jungle

Robin Lane Fox relies on the television for shots of one of his favourite gardens

A brief glimpse of summer inspires us all to garden busily. Last week, Channel 4 gave us one by whisking us off to Italy in its series on gardens without borders.

We all complain about television gardening but Hugh Johnson, the wine-critic and garden writer, had been left to pick his personal favourite and no one could argue with his choice - the Anglo-Italian garden at Ninfa, 50 miles to the south-east of Rome.

In the past two generations, the Caetan and Howard families developed plantings with a magical style amid medieval ruins. The plants run wild through the remains of a town and four churches which the script described as named after a mythical nymph. Perhaps the scriptwriter knows non-mythical nymphs: meanwhile, the cameras shot exquisite close-ups of white roses in cypress trees, clematis in shrubs and drifts of wisteria beside the garden's many rushing streams.

Admittedly, Alan Mason had to go too in order to host the series and the trouble with Ninfa gardens is that very few plants have labels. Hugh Johnson was candid about his uncertainty but we were left with two garden guides in his fragment of paradise, hilariously unable to tell us what we were looking at except to repeat that the water was flowing very, very fast. It sent me back to my own scattered clematis and stagnant pools of rainwater, keen to see them teeming once more with

flower. Unlike Ninfa's, they need attention, even the white-flowered Rose heleneae from China which fights free from a repugnant conifer and shows less willingness to climb and cascade than in the old papal ruins of Italy's loveliest sight.

Inspired by this mental vision of summer, we all need to tidy up belated traces of winter. Few of us have Ninfas, where climbing plants can be left to run wild and border-flowers form natural groups in grass. This weekend, the last of the roses and clematis to need attention, your own spreading border-plants, are at just the right stage of growth to be split and multiplied; the wisteria should be left alone but you can usefully shave the leaves off old evergreen ivy, remove

any rubbish in its centre and leave the flat frame of bare branches to sprout tidily into new growth.

The pruning of clematis and roses always causes bother so that people often shirk it. You should have finished the job three weeks ago but realists refuse to do it in cold rain and, for them, it is now or never. Clematis should be sorted according to a simple rule: only prune those now which flower after midsummer's day. If in doubt leave the plant alone and if it is an evergreen do not touch it. Otherwise, harden your heart and cut the entire top growth down to its first joint with the lower main stems.

You may end up with one or two stems only about a foot above ground level but you have done the right thing. They will grow away madly



and you can now space out the new growth so that it does not become tangled at the top of the plant in a traditional cottage muddle. The stems are less able to bruise one another and leave a wound through which wilt can enter. The flowers look far better if they are not all clustered into a top-heavy tangle. Attack your autumn-flowering Jackmannii and stop it becoming a miserable mess.

Strictly, it is also late to be cutting roses but the result will at worst delay their flowering for about a fortnight. Only two main groups are better for the hard pruning which amateurs like to give them, seeing the treatment of rose bushes in local parks. Old-fashioned roses need only to be shortened slightly and freed from dead growth or stems which have turned a deadened purple during the winter: always cut back to an outward-facing bud which will be show-

ing by now like a little pip on a green part of the stem. Never treat the old bush roses like the modern, large-flowered Hybrid Teas.

The latter are the roses which park-keepers prune down to a height of six inches, too low for my taste as I am not aiming at a few exhibition flowers on each plant. I would rather remove weak and dead growth and cut the remaining stems down to a height of about a foot. The floribunda forms, including the favourite white Iceberg, should never be mutilated so firmly, their growth can be shortened by about a third but they will flower less well if you hit them hard at this late date.

The only other candidates for a severe attack are climbers in their first or second year. Britain is not Ninfa and you will want your roses to look well-covered down to their base on a wall. The art is to cut them back to a low bud

when you first plant them and cut them again, hardening your heart in their second season and reducing them once again to about two or three feet. Once they have gone up and aged they are much harder to reduce and encourage to shoot from the base. If you are pruning a neglected rose always remember to take it down in stages year by year rather than sawing it off with a vengeance in a single clear sweep.

These jobs ensure an art to your apparent jungle: you can heighten the effect of natural wildness by dividing almost

anything among your border plants which is growing well in a wide mat or clump of roots. Now is exactly the moment to strike: as the green shoots start to appear. Day lilies, the long-lasting Aster frikartii, sedum, phlox, tradescantia and agapanthus are among the obvious candidates for rapid multiplication. A short, sharp strike with the spade is clean and effective, although picture-books tell you to split tough clumps by sticking two small border forks back-to-back through the plant's middle and then forcing them apart. Sometimes, I find that this illustrated technique makes a frightful mess.

The supreme advantage of splitting your own front runner is that you can build up natural drifts and groups as if your mainstays are part of the local vegetation. One of the charms of an exotic jungle like Ninfa's is that so many plants are grown informally as if they are natural to the site. The TV presenters had much to say about paradise and the natural style before the garden's presiding genius, Laura Marchetti, remarked that he presided over a team of seven gardeners. It made me feel less pathetic about my own developing clumps of apparent artlessness, gradually built up from splitting and division in this immediate month of March.

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BOOKS

Turning a blind eye on Saddam

Jimmy Burns examines US foreign policy in the decade leading up to the Gulf War

George Bush's favourite book during the Gulf War of 1990/91, he told an audience in Burlington, Vermont, was Martin Gilbert's *Second World War*, a "great, big, thick history".

The then President of the US liked to impress upon the American public and the world generally that there was a parallel between what Hitler did to Poland and what Saddam did to Kuwait (for FDR read Bush), although Bush's historical perspective appears to have been a limited one.

Jentleson, an academic who has served in the department of state, has taken a longer view, probing classified and unclassified material for a more rounded picture of the conduct of US foreign policy in the run up to the Gulf War.

His book would make uncomfortable reading for Bush, for it shows how his administration during the 1980s, in pursuit of a policy first instigated by Ronald Reagan, chose

to turn a blind eye to a growing body of evidence not just of appalling human rights violations in Iraq, but of Saddam's military ambitions.

The core rationale driving US policy towards this Middle Eastern rogue state for nearly a decade was "the enemy of my enemy is my friend". The strategy was to strike an alliance of convenience with Baghdad capable of countering the fundamentalist threats emanating from Tehran and curbing Soviet strategic designs on the Persian Gulf.

In the spirit of such realpolitik, the US presidency teamed up with commercial lobbyists and compliant government officials to approve a range of agricultural and dual-

use exports and favourable credit lines - in spite of reports of horrific uses by Saddam of chemical warfare against the Kurds - and the build up of a nuclear-based military programme.

Not only were Iran and the Soviets not contained as a result of this policy, but more seriously the "friend" became the enemy.

Much later senior officials of the Republican administration conceded that with the benefit of hindsight, there were some things that they might have done differently if they had known what was going to happen.

In fact, as Jentleson shows without any room for doubt, warnings about Saddam/Hitler were sounded early and often from the mid 1980s

by journalists, academics and the intelligence agencies. In explaining why these warnings were not acted upon, Jentleson eschews the conspiracy theory in favour of a more credible cock-up theory, based on

WITH FRIENDS LIKE THESE: REAGAN, BUSH AND SADDAM 1982-1990 by Bruce W. Jentleson

W.H. Norton £18.50, 300 pages

mistaken policy formulation and implementation.

Conspiracy means to act behind the scenes in breach of the law. It is an allegation which Sir Richard Scott, the British arms-for-Iraq inquiry, is having to take seriously

as he probes the apparent tendency of the UK government to have said one thing to parliament on its Iraqi policy, but to have implemented something quite different within the hidden recesses of Whitehall.

By contrast, Jentleson's account shows that in the US the president's policy towards Iraq was the subject of open debate on Capitol Hill, and once defined left very little room for ambiguity. No complex government "guidelines" as in the UK, but a straight forward executive declaration of intent, although the export of some dual-use components may have breached restrictions on the export of military equipment.

In his critique of past US presidents, Jentleson does not belittle

the military and political achievements of Operation Desert Shield and Desert Storm - the deployment, under the guiding leadership of the US, of 400,000 troops by a 31-country coalition first to protect Saudi Arabia and then to liberate Kuwait.

But he does raise the question as to whether an alternative foreign policy may have stopped Saddam dead in his tracks well before hand, thus avoiding the human suffering as a result of the war, the economic and environmental costs.

In the euphoria that came with military dominance, Bush spoke of a "new world order" arising out of the Gulf crisis, "a new era free from the threat of terror, stronger in the pursuit of justice and more

secure in the quest for peace..."

In its attempts to translate such rhetoric into practice, the Clinton administration has fallen short of success, although not for want of trying. Faced with the shifting ideological sands of the postwar era, the US presidency has floundered on a mix of principles and political expediency. Whereas Reagan and Bush were able to ride roughshod over the objections of Congress, this executive, having lost its majority, has no alternative but to listen.

Jentleson, an ex-adviser to Al Gore, the vice president, nonetheless writes with the authority of someone that is used to being listened to - and deservedly. He argues strongly that the long-term interest of non-proliferation should inform and guide US foreign policy. Likewise the brutalities of individual states should be adequately taken into account when deciding alliances.

Gladstone: a man for two centuries

This is the end of the life of Gladstone, at least as told by H.C.G. Matthew, the Oxford historian who has so carefully tended it over the years. It will be hard for anyone to do better. Matthew's work is fair, thorough, critical and ultimately admiring. The main impression that emerges is that Gladstone was a remarkably modern figure who left his mark on the 20th century as well as the 19th.

He was also a voluminous diarist. His first entry was written when he was a schoolboy at Eton in 1825. Thereafter he wrote almost daily, with a few brief gaps, until shortly before his death in 1898. There are over 25,000 entries mentioning more than 22,000 people.

Gladstone left no instructions about what should happen to the diary after his death. It contains passages, especially about sexual temptation, that are unfavourable to the man, but - as Matthew observes - he must have known that it was important that it should not be destroyed.

Matthew has performed two tasks. He has written most of the introductions to the diaries as they have been published, and he has put the introductions together in slightly revised form so that they can be read as a biography in their own right.

The second and final volume begins in 1875 when Gladstone, who had already been in parliament for 42 years, could have rested on his laurels as a classic British prime minister, one who was tipped from the start to reach the top, and made it. Instead he began his comeback and again reached the premiership. The book ends with Gladstone's funeral, which Matthew describes as the "last great set-piece of Victorian Liberalism". The final stages of the progress of the old man in his coffin to Westminster Hall took place on the London Underground.

Matthew writes of the 1890s as "the decade which faced both ways". It looked back to the high noon of the mid century and British economic hegemony where the activities of government were kept to a minimum. It looked forward to collectivism and imperialism. It was also a period of immense technological change, the beginning of the modern era. Gladstone was at home looking both ways: his achievement was to reconcile the two, while looking essentially to the future.

He was one of the first politicians to recognise that America was overtaking Britain's economic supremacy "if it at a canter". He was the first to recognise and exploit the possibilities of modern communications, principally the use of one

medium to gain access to another. It was not so much the crowds that attended his political meetings in Edinburghshire (as Midlothian was literally called) that counted; it was the way his speeches were reported, word by word, in the national press.

According to Matthew, one line of Gladstone's speech notes generated seven to eight minutes of oratory. Yet the bad news as well as the good came in by methods unknown in the past. Up-to-date accounts of the drama of General Gordon at Khartoum in 1884, one of Gladstone's low moments, were read daily at Britain's breakfast tables.

There were other firsts. Gladstone was one of the earliest advocates of a national theatre and a channel tunnel. He was offered \$5,000 to produce an autobiography, and a New York publisher promised \$25,000 for the serialisation rights, though the book was never finished nor serialised.

GLADSTONE 1875-1898 by H.C.G. Matthew

Clarendon Press £25, 421 pages

ously attempted. Gladstone was also one of the few British prime ministers repeatedly to decline a peerage. He died plain Mr.

There were failures, of course. At the time, the biggest was deemed to be Ireland. Yet, with hindsight, that view looks suspect. In supporting Home Rule Gladstone had at least recognised a need for change. He was prepared to offer similar benefits to Scotland. In short, he realised that the unitary constitution of Great Britain and Ireland might not be sustainable in the long run. Matthew conjectures that Gladstone might have been thoroughly at home in the European Union, where the position of Britain would have been closer to Home Rule than to independence.

The achievements were to preside over a mixture of stability and change that was not always present in the rest of Europe, to preserve a generally civilised governing elite while the franchise was being extended, not to overextend government intervention and to stick to free trade. In that sense the Gladstone tradition remains, even if mainly as an ideal.

Perhaps the one area where a modern politician would not recognise him was open commitment to religion. In the election of 1880 he appealed to the "Gospel of our Saviour Christ" which was "above all the Gospel of the poor". No British political party leader has spoken like that since. Yet at the time it did not seem odd, and it worked.

Malcolm Rutherford



Portrait by the artist as a young boy. Jacques-Henri Lartigue, the celebrated French photographer who died in 1986 at the age of 92, was given his first camera at the age of seven and took this picture of his cousin two years later. Lartigue's early photographs, evoking an innocent world before the outbreak of the first world war, have been assembled in "Boy with a Camera" by John Cech (Pavilion £9.95, 32 pages)

Queen of the Victorian blockbuster

Jackie Wullschlager on a 19th-century writer who chose life - and money - over art

Mrs Oliphant is the white elephant of Victorian literature. Styleless, old-fashioned and torn, she was a joke figure even in her own time. Trollope satirised her as the slapdash, dishonest writer Lady Carbury in *The Way We Live Now*. Henry James derided her as a vulgar, desperate authoress Mrs Sturmer in the tale *Grover's Fane*. The critic Leslie Stephen complained that she resigned her chance of writing a novel "to stand on the same shelf as Adam Bede, because she wished to send her boys to Eton". Hardly any of her 98 novels are now in print.

Mrs Oliphant wrote, unashamedly, for money and that is why she is a compelling figure today. She was one of the earliest writers to exploit the 19th-century techniques of mass production and an increasingly literate population by selling herself and her books as products

with a market price. At a time when fat advances and publishers' hype dominate current interest in fiction, the story of her life and art as a fiction-machine offers a rare look at how best sellers were first created and at what cost.

Margaret Oliphant was born in Scotland in 1828 into a family of strong women and pathetic men. Her mother encouraged her to write and launched her into Edinburgh literary society. By 25, she was supporting two feckless brothers, her indolent husband-cousin, and a brood of babies by churning out several pot-boilers a year.

By 35, she was a widow working to keep her own and her brothers' orphaned children and writing so fast that it sometimes took her less time to complete a book than to haggle over its price in a series of letters. The family moved from a cottage in Liverpool to houses in London, then to Windsor, where Mrs O took tea with the Queen.

She was paid well but not spectacularly - £1,500 for *The Perpetual Curate* in 1864, for example, as against Trollope's £3,525 for *Can You Forget Her?* in the same year, or Dickens' £12,000 for *Little Dorrit* (1855-57). Set a smart house in Windsor, which Mrs Oliphant

MRS OLIPHANT: A FICTION TO HERSELF by Elisabeth Jay

Oxford £25, 355 pages

bought for £1,800 in 1877, against these sums and they make even the recent advance of £500,000 to Martin Amis look tame.

But success exacted terrible penalties. Mrs Oliphant was one of those driven, Victorian puritans who could not tolerate anyone with less stamina and speed than her own. She fell out with editors and publishers and never noticed that her vaulting ambition was turning

her two sons, Cyril and Cecco, into phoney aristocratic monsters. After Eton, they became drunken dissolutes who enjoyed humiliating their mother by squandering their cash; both died in their 30s.

None of Mrs O's children survived her and in her last years she suffered a series of bereavements and a lapse in popularity as a result of flooding her own market.

Mrs O's moving autobiography (1899) - her best work - explains how both temperament and necessity drove her to choose life over art or best-sellerdom over creativity. Reading Charlotte Brontë, she commented cheerfully: "I don't suppose my powers are equal to hers - my work to myself looks perfectly pale and colourless beside hers - but yet I have had far more experience and a fuller conception of life."

And "these superior heroines are very awful people", she wrote of *Middlemarch*, wishing that "George Eliot would not be so harsh upon all

mediocrities". Choices like hers, and the venom they inspired in writers like James and Trollope, mark the start of the debate about elitism and high- and low-brow culture which continues today.

This sympathetic and well researched book has two main flaws. First, Elisabeth Jay never confronts the fact that Mrs Oliphant's fiction was very bad - a common failing among many feminist critics.

Second, the thematic, rather than chronological organisation of material, a device which rarely benefits biography, here leaves us trying to work out who has been born and died at what time while Ma Jay grapples with her theories of "arranging the narrative".

Nevertheless, for anyone interested in the story of fiction, here is a perceptive introduction to a woman whose very ordinariness made her an extraordinary phenomenon in literary history.

Wit, wigs, God and sex

Kathy O'Shaughnessy is charmed by the natural voice of Dolly Parton

Dolly Parton's loud, fresh voice makes this autobiography compulsive reading. "It costs a lot of money to look this cheap", she quips, dismissing her critics in one quick sentence.

The queen of country and western singing has plenty of wit, little sophistication, and is as enthusiastic about sex as she is about God.

Born in 1946 in a one-room log cabin in the Smoky Mountains of East Tennessee, Dolly was the fourth of 12 children. Her family were poor, going barefoot all summer. Their mother made clothes out of scraps for them.

Dolly's favourite coat - patchwork through necessity - was mercilessly mocked at school, which made her bitter. The experience was the inspiration for her song, "Coat of many Colors", a lucrative hit many years later. She comments, solemnly, "It's amazing how healing money can be."

Dolly grew up in a religious environment but found God, age 12, in her own way - in a disused chapel with an old piano and "dirty drawings" on the wall. Her "three great passions" were there: God, music, sex. Baptised soon after

in the river, the boys notice her breasts and cry "Hallelujah!". This is as it should be, thinks Dolly. "He wouldn't have given them to me", she notes without irony, "if he hadn't wanted people to notice them."

At school she had a few good friends like Judy and Colleen ("We really got into some big hair together"), but her energies were directed to music: she learned chords on the banjo, got to sing on Cas Walker's radio show, cut a record; and age 18 went off to Nashville.

For the first time she slept in a bed on her own, without her brothers and sisters. The living was tough - she was often hungry, eating covertly in grocery stores, picking at unfinished plates in hotel corridors. But her serious talent earned

DOLLY: MY LIFE AND OTHER UNFINISHED BUSINESS by Dolly Parton

HarperCollins £16.99, 316 pages

her a place on Porter Wagoner's television show, her first big break. Seven years later she began her solo career, recording with RCA.

Dolly married Carl Dean not long after she arrived in Nashville, and is still married to him 28 years later. They spend a portion of their time together, but the implication is that Dolly has other love affairs, though she insists, proudly, that Carl has been chaste all this time. Dolly's gigantic personality accommodates all such contradictions with ease.

Nothing if not ambitious, she visited Hollywood and reckoned she would like to substitute H for D. Dollywood now exists, a theme park devoted to herself and her mountain folks' background.

If there is a contradiction between the generic artificiality of the theme park and the authentic culture from which she sprang, it does not touch her.

Similarly, God not only accommodates her sexual freedom. He's right behind her plastic surgery ("I think it's part of God's work in this modern age that we have such wonderfully skilled people and technologies to keep us beautiful").

The biggest contradiction of all, and the great pleasure of this book is the sheer naturalness of this woman's voice. She includes a set of questions she thinks readers would like to ask at the back of the book: "What do you look like without your hair and make-up?"

Like hell! is the reply. Her wit could not be more direct, and coming as it does from the depths of rhinestones, wigs, and every manner of artifice, retains both charm and a certain mystery.

The press release accompanying Michael Bracewell's new fiction, *Saint Rachel*, famously describes it as "the first Proust novel of the 90s". This is distracting, for while the protagonist is dependent on a number of prescription drugs, they simply heighten his pre-existing tendency to take refuge in fantasy.

It would be fairer to say that the ready availability of antidepressants like Prozac serves as a metaphor for the mood of the 1990s as perceived by Bracewell, who himself took the drug while writing the novel. His characters lead precarious, fractured lives, forming defensive relationships to stave off isolation and decay. There is a numbness about them, a sense of people merely getting by, regardless of the jobs they have or their marital status.

The protagonist, John White, has a name which signals the blankness of his existence and his function as a screen, passively waiting for the shadows of more substantial people to fall across it. One of these is his wife, Anne, who left him and their house in Worthing months ago. Anne is, it seems, everything John is not: clever, amusing, popular, slightly

Fiction/Joan Smith
Metaphor for the 1990s

exotic. Like the antiquated men's club in which he stays on his trips to London, John is a relic of an earlier age; a small private income means that he does not have to work. In his attic room at the club, he takes out the props on which he relies: his pills and a china figurine which reminds him of his estranged wife. In effect, he is making a shrine to St Anne, the first of two iconic figures who lend direction to his otherwise aimless existence.

By the time Anne appears in the novel in person, turning up in Worthing in a fretful state which suggests she is having second thoughts about the separation, John's affections have transferred to an enigmatic and apparently friendless young woman called Rachel. There is room in his pantheon for only one divinity; and the change is absolute, leading him to regard Anne's

SAINT RACHEL by Michael Bracewell

Jonathan Cape £9.99, 210 pages

features "with the cold fascination of a lover rereading an old love letter, the contents of which had been forgotten."

With her relentless black clothes and black contact lenses, Rachel is his dark angel, a foil to the blond hair which is a visual reminder of John's lightness of character. If Anne was a projection of his

confused and sentimental ideas about femininity before the drugs took hold, Rachel is even more so; it comes as no surprise, given John's myopic self-absorption, that she is comically unsuited to the role. What is unexpected is the precise nature of the impediment and John's desperate willingness to ignore it.

One of the cleverest things about *Saint Rachel* is the slow-moving, anaesthetic prose which tricks the reader for a time into sharing John's dulled responses. The novel ends with a brutal demonstration of Rachel's underlying vulnerability, shattering that fragile sense of unreality. Its impact on John, hurrying to Paris to join his lover, completely unaware of the disaster which has overtaken them, is a question Bracewell leaves disturbingly open.



BOOKS

The received wisdom about Carlyle goes as follows: Carlyle, a self-made Scot, a Victorian sage, lived his adult life in Chelsea where the earliest manuscript of his first important work, *The French Revolution*, was used by the maid to light the fire and destroyed. His marriage to Jane Bellie Welsh was never consummated. He is one of the ancestors of fascism. He is unreadable.

Some, but not all, of that is true, and Simon Heffer's judicious biography serves as a corrective. The Carlyles moved to 5 Great Cheyne Row (now 24 Cheyne Row) in 1834 and never lived anywhere else. Yet he was very Scottish. Heffer gives a full account of Carlyle's roots in Ecclefechan, Dumfries and Galloway. (The signpost "birthplace of Carlyle" is one of the first things that catches the eye when driving from the M6 into Scotland.) Carlyle once walked

Agony of a master

Anthony Curtis on a biography that challenges views of Carlyle

from his home to Edinburgh to enrol at the university, and after his marriage he often went back across the border to see his and his wife's relations.

It was John Stuart Mill's maid who lit the fire with the manuscript of the great work in progress on the French Revolution. Mill had borrowed it to give the author the encouraging reaction he badly needed. Heffer shows how well the two men behaved after the catastrophe, not letting it injure their friendship or their editor-contributor relationship.

It was a deep ideological rift that burst them apart later when their political creeds had matured and they had become polar opposites: rational

utilitarian (Mill), rhetorical authoritarian (Carlyle). The lack of any sex at all in the marriage is, according to Heffer, not proven; the main source of the

MORAL DESPERADO: A LIFE OF THOMAS CARLYLE
by Simon Heffer
Weidenfeld & Nicolson £20, 420 pages

allegation, the novelist Geraldine Jewsbury, is slightly suspect because the relationship between her and Jane was like that between Vita and Virginia Woolf (see the latter's essay "Geraldine and Jane"). But Heffer makes it clear that if it was briefly

consummated, that was all. Jane always remained devoted but, he suggests, did not find being married to Carlyle much fun because her husband's first priority, into which he poured his entire energy and emotional commitment, was his work. She came a long way second. And Jane was not amused by Carlyle's soapy deference to Harriet Ashburton when he had become famous.

Heffer does not attempt to play down the unpalatability to the modern reader of Carlyle's might-is-right outlook. Carlyle believed in slavery and seriously argued the case for it in his essay on "The Nigger Question". He championed Governor Eyre after the

massacre in Jamaica and the South during the Civil War. Hitler had Goebbels read from Carlyle's *Life of Frederick the Great* in the bunker. But to dismiss Carlyle as merely a proto-fascist is far too glib and simple. His attacks on quackery and sham have a continuing relevance, and he can be very witty.

Hence he is not unreadable and certainly should be read if Victorian values are to be understood, but a little of his inflammatory prose, with its over-use of the present tense and double-word coinages, goes a long way.

Heffer re-examines the exact nature of Carlyle's response to the development of the democratic process. His biography certainly does that but it is most memorable as a human document. It sensitively recreates the grinding diurnal round of Carlyle's long life, sparing us none of the agony out of which his masterpieces emerged.

Myths of tartanry and tushery

Iain Finlayson on the life and work of Scotland's great glamoriser

A more than usually long-sighted Scot, Fletcher of Saltoun, remarked that he should not care who made the laws, so long as he could make the ballads. He knew where true power, in the long-term, resided.

Sir Walter Scott, as a Scottish advocate and Sheriff of Selkirkshire, administered the law, but as a poet and novelist he created and largely defined a persistent image of Scotland that even now can make home-grown Scottish writers, thinkers and cultural nationalists weep with embarrassment while Edinburgh haberdashers

the dull reality of his immediate forebears and the cultivation of his heritage as a descendant of Border freebooters. And it is here, perhaps, that the nub of Scott's originality and contrariness lies. Sutherland has gathered a mass of evidence that subtly and devastatingly uncovers Scott's "hypocrisy", but this somewhat misses the point of Scott's character which has been defined in literary terms as the Scottish Antizyzygy. Many writers, notably including James Boswell and Hugh MacDiarmid, have suffered from it - and Scott more than most.

THE LIFE OF WALTER SCOTT
by John Sutherland
Blackwell £19.99, 336 pages

count their takings and reverently bend the knee to the Scott Monument in Princes Street.

Less innocently than Wordsworth, who did for the Lake District, Scott sent the tourist wandering the Trossachs in search of the romantic setting of *The Lady of the Lake*; the Highlands in pursuit of *Rob Roy*; the Border country on the trail of the rangers and raiders of *The Minstrelsy of the Scottish Border*; and of Sir Walter himself who lairied it at his great house, Abbotsford, a modern antiquity largely of his own design which Ruskin denounced as miscegenation.

But cultural and literary miscegeny was Sir Walter's prime business - and Abbotsford, a reflection of the man, was as influential in its modern heroic baronial style of architecture as Scott's poetry and novels. In these Scott redefined the past in terms that romanticised and Gothicised the history and character of Scotland and the Scots. The wizard of the north was, in effect, the great glamoriser of Scotland.

Scott's great good fortune was to be writing at a time when the prosaic present demanded an escapist vision of the past to render the stark realities of the 19th century tolerable. A fashion for Gothic fiction - satirised in Jane Austen's novel of 1818, *Northanger Abbey* - had rendered Italy, the Alps and the Pyrenees awful and mysterious, and Scott largely re-located the props, scenery and melodramatic plots to the stage of Scotland, a country virtually unknown to the English traveller and thus ripe to be romanticised.

To achieve his effects, Scott invented a feudal, chivalric fantasy, furnished it with an archaic idiom - what Robert Louis Stevenson called "tartanry and tushery" - and from this false consciousness carved a more inspiring and heroic figure, Lockhart, the son Scott would have preferred over his own blood, trimmed his sails to his patron's wind, which Sutherland's biography pleases to junk.

In his debunking of Scott, Sutherland also tends to deprecate Scott's novels and poetry. It is true that *The Great Unknown* is now all the more unknown because of his massive unreadability. His politics, which pervade the literary work, are an integral part of it, and Scott's motivation - consciously or otherwise - was to redraw Scottish traditions and history to magnify Tory values; and to define Scotland in antiquarian terms that explained and resolved inconvenient attitudes, preserving them in a sort of literary aspic to render them palatable.

This ornamental galantine has fed generations, and still it continues to be sliced fine - not through popular reading of the works, but through a legacy of sentimental Disneyfication of what is now perceived as a tourist-board action.

The result is an enduring Scottish Balmorality that can only be fully understood in the context of the secret, personal life of Walter Scott. John Sutherland presents here a convincing portrait of a man whose "enlightened self-interest" would have had little difficulty accommodating itself to the politics and opportunities for self-promotion in Thatcherite Britain.



"Impartiality is incompatible with the use of force": UN troops near Namibia

The decolonisation man

Edward Mortimer reviews an elegant, challenging look at the modern role of the United Nations

The British state, with unashamed age-ism, retires its civil servants at 60. This often seems wasteful, as many of them are then at the height of their powers. But it has the compensating advantage of maintaining a large pool of retired mandarins, free to speak their minds, whose experience can illuminate public debate. Sir Anthony Parsons, who retired from the diplomatic service in 1982 and then did a short stint as foreign affairs adviser to Margaret Thatcher, is one of the least pompous and most engaging of such figures.

In this book he casts the eye of a seasoned practitioner over the current travails of the United Nations, and suggests they are not really as new as they look. His subtitle is slightly misleading: the word "interventions" conjures up a picture of expeditionary forces sent to intervene in conflicts by assisting one of the parties, or by imposing peace on both of them. Only a few of the actions Parsons discusses fit this picture. His theme is the agenda and role of the Security Council, on which he served as Britain's permanent representative from 1973 to 1982.

Received wisdom has it that the UN has been transformed by the end of the cold war, which has liberated the

council from permanent deadlock between its permanent members, enabling it to act more decisively and in a much wider variety of crises. Parsons disputes this.

Conceding readily that the cold war protagonists kept their mutual relations off the council's agenda, he points out that this did not prevent it from wrestling with a rich menu of crises, almost all related to decolonisation and its aftermath. And the "new agenda", he suggests, is "dominated by the decolonisation of the Russian Empire", while still including many unresolved legacies of European rule in Africa.

Describing himself as "the embodiment of Decolonisation Man," Parsons feels well qualified to comment on the council's alleged new decisiveness. Here too he concedes, with a hint of nostalgia, that it is much easier to get agreement on a Security Council resolution now than it was in his day, when "working paper followed draft resolution, group and bilateral consultations pulpitated until the moment of voting at last arrived." But he is surely right to question whether the resulting "torrent" of resolutions is "having any greater effect in the world of reality than did the laboriously achieved trickle of earlier days". The UN, he remarks all too

justly, has "experienced as many fiascos and failures" in the past two or three years as at any time in its early history.

Passing resolutions may be easier than it was. Acting on them is if anything more difficult, since "it is no longer possible to invoke responsibility for subject peoples or the struggle against international communism in support of domestically unpopular

FROM COLD WAR TO HOT PEACE: UN INTERVENTIONS 1947-1994

by Anthony Parsons
Michael Joseph £16.99, 278 pages

decisions". Disinterested internationalism, Parsons concludes sadly, "is coming a very poor second to national interest in a world of proliferating civil conflicts far from major power centres," and "this is a poor look-out for the UN".

He does also have some useful prescriptions to offer:

■ Sanctions do not work "as a coercive device short of military force," but can be effective in reducing a threat when maintained and strengthened after the use of force, as against Iraq.

■ Impartiality "is incompatible with the use of force, which requires tak-

ing sides." Ergo, it is no good trying "to mix persuasion with military coercion in the same operation," as in Bosnia.

■ The UN's finances can only be straightened out "by reducing the gap between the American contribution and the rest." Parsons suggests the US should be assessed for only 10 per cent of the total, instead of 30 per cent as at present.

■ Since member states are so reluctant to engage their national armed forces on the UN's behalf, it should have a volunteer fighting force of its own, available to act when the Security Council wants to deter "a potential aggressor or warlord".

Parsons's account of past crises is succinct, lucid, and surprisingly readable, being enlivened with personal reminiscence and flashes of mischief. There is a dazzling vignette, for instance, from the 1950s, when Parsons was in the British embassy in Ankara, of the different negotiating styles of Sir Hugh Foot, then governor of Cyprus, and of Harold Macmillan, then prime minister. The former asks the Turkish foreign minister "Don't you trust me?" and is told bluntly "No." The latter, after a "long and implacable harangue" about the defects of his peace plan from the same foreign minister, gets up to leave for the airport: "within an hour

or so the Turkish government had accepted the plan virtually wholesale."

My favourite item, though, is the one-paragraph review of another diplomat's memoirs which Parsons slips into his chapter on Namibia: "For almost the full eight years of the Reagan presidency, Chester Crocker, the American knight errant in Africa, sought to slay the Cuban dragon and free the Namibian princess. His quest, accompanied intermittently, by his faithful British squire, followed a zig-zag route through the tangled undergrowth of a forest inhabited by benevolent and malevolent spirits which had to be cajoled, threatened, or bought off. His five hundred-page account, shorn of modesty in the best tradition of the medieval encomiast, is indispensable reading for the student of this labyrinthine exercise in decolonisation. It is admittedly heavy going. Stylistically, Mr Crocker lives in that circle of the semantic inferno where slang and jargon commingle. In substance, it is not so much that he fails to see the wood for the trees, rather that he feels obliged to subject each tree to a microscopic examination before continuing his journey through the forest."

Suffice it to say that Sir Anthony's own narrative contrasts with this model in every respect.

The consensus among historians of the second world war is that the Nazis lagged behind the US and Britain in the race to perfect a nuclear weapon. But according to Philip Henshall, Germany might have been further ahead than is commonly realised.

His theory is that Germany realised it lacked the expertise to build an atomic bomb and instead the Nazis switched to the concept of a less sophisticated, though deadly, weapon based on loading a consignment of radioactive waste into modified V-2 rockets.

On one level, the idea seems crazy. Loading the waste into the rockets would have been

A Nazi use for nuclear waste

extremely hazardous. Also the contamination of enemy territory by the waste would have given the Germans immense problems assuming they would send in their own troops or administrators afterwards.

But what makes Henshall's ideas credible is the sheer scope of his detective work. The book reads like a fascinating scientific whodunnit as Henshall, a retired nuclear engineer, provides clues from France, Germany, Japan and the US to support his case.

Henshall's own meticulous inspection of V-2 launch sites in northern France gives weight to his thesis, also the technical drawings of the V-2 which he discovered, buried away in UK government archives. Henshall has also scrutinised records of German wartime research in rocketry and nuclear engineering to pose the possibility that the

VENGEANCE
by Philip Henshall
Alan Sutton Publishing £16.99, 180 pages

work in these two areas was more closely connected than has been thought. Henshall believes one of the main players in these efforts was Paul Bartek, a feisty German chemist who, he reckons, built an experimental nuclear reactor capable of producing radioactive material for the terror weapon.

Finally Henshall has inquired into the mysterious last voyage of the U-234 German submarine, bound for Japan. The US authorities ordered the submarine into a harbour in New Hampshire in May 1945, after Germany's surrender but while the war in the Far East was still continuing.

The U-234 is known to have been carrying nuclear materials. However, the full facts have never been released, owing to the US's continuing reluctance to declassify its war-time files on nuclear research.

Henshall believes the US may have decided that Germany had also secretly been supplying Japan with nuclear cargo to be carried by Japanese aircraft on bombing missions to the US western seaboard. According to this theory, the US's decision to drop its own nuclear weapons on Japan in July 1945 was prompted at least partly by the knowledge that the country had to be brought to its knees quickly before it could carry out its own terror strikes.

Many writers, armed with such theories, would have written a pot-boiling thriller full of wild ideas and irksome language. It is to Henshall's credit that he has stayed cool and used a restrained and precise writing style to come up with a view of history that might - just might - be true.

Peter Marsh

Radical Islam meets Ecstasy

Fiction/Nick Curtis

For his second novel, Hanif Kureishi has abandoned much of the sly, subversive wit that characterised his first and gone serious.

Well, fairly serious. Where *The Buddha of Suburbia* was about the 1970s and the suburbs, *The Black Album* is about the 1980s and extremism. Set at the time when a *fatwah* was issued against Salman Rushdie, this sporadically earnest story tells of young Pakistani student, Shahid, and his vacillations between liberal sensuality and radical Islam: the title refers to Prince's unreleased, lubricious LP, a yardstick against which to measure Rushdie's contentious *Satanic Verses*.

Sparsely written and carefully plotted, this is a most assured and intelligent attempt to respond to the Rushdie death threat. Kureishi seems to

be aiming at a new maturity in style and theme, but his attempts are threatened by the resurgence of the old Hanif, who delights in descriptions of sex, drugs and rock and roll. Well, sex and drugs, at least.

The story begins with Shahid, up from the sticks and newly free of his family, seeking refuge from loneliness among fellow Asian students. But it really gets going once Shahid begins to slake his solitude in a different way with his course tutor, Deedee Osgood, a voluptuous white ex-tripite.

While his fellow Moslems take him on vigilante patrols of racist estates, Deedee takes him on an Ecstasy led tour of sexual experimentation and personal intimacy. Shahid swears between the two until the Moslems burn a copy of *The Satanic Verses* on

campus, forcing a decision on him.

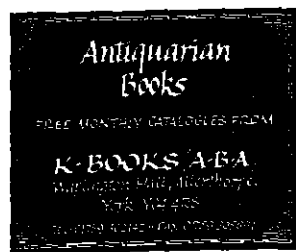
As in Kureishi's previous novel, our hero is a reed buffeted by forces around him. He slips into Islamic brotherhood as easily as he slips between his tutor's inviting sheets. Unfortunately, Kureishi is far more convincing when writing

THE BLACK ALBUM
by Hanif Kureishi
Faber & Faber, £14.99 pages

about Shahid's introduction to heavy drugs than about induction into heavy religion. The passages detailing the growing organisation and fundamentalism of the Moslem student group have a halting, dream-like quality. A sub-plot about Asian assimilation featuring Shahid's wastrel, Thatcherite brother, Chilli. Chilli is thor-

oughly condemned throughout until he fetches up like a wasted Asian John Wayne to save Shahid with some macho heroics. It is surely not Kureishi's point that one should combat religious extremism with cocaine and knives, but this roller-coastering penultimate scene is symptomatic of a book which, like Shahid, is unsure of its convictions.

This is fair enough: *The Black Album* is more of a *cri de coeur* at a thorny moral issue than an attempt to provide answers. Kureishi comes down on the side of tolerance, but the statement carries less than the full weight of the book. At the end, the religious threat is stalled and Deedee and Shahid leave us, off for a dirty weekend "until it stops being fun". It is the sign of the old, horny Hanif rearing his hedonistic head again.



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ARTS

Playing its own tune

The strengths of the Philadelphia Orchestra are being regenerated, reports Andrew Clark

With its arched facade and gilded interior, the Academy of Music in downtown Philadelphia is the very picture of tradition. This is the concert hall where Leopold Stokowski laid foundations for the Philadelphia Orchestra's world renown, where Eugene Ormandy developed "the Philadelphia sound", where Riccardo Muti was idolised by rich local matrons - and where Wolfgang Sawallisch, for the past year and a half, has been quietly building on the orchestra's inbred strengths.

One block away, the site of the orchestra's proposed new home lies empty. The land was bought in the late 1960s, and the orchestra has the perfect target - its centenary in five years' time - for inaugurating a new hall. But the project is in limbo, and a model by the distinguished Philadelphia architect Robert Venturi gathers dust in the Academy's foyer.

Like the city whose name it bears, the Philadelphia Orchestra seems happier contemplating its past than confronting the future. Audiences are mainly white and older-generation in an area where blacks and other minorities are a growing presence. With a faltering local economy, the box-office peaks of the 1980s have not carried over to the 1990s. There are fewer recordings. After decades of stability, the orchestra is struggling to adjust to a changing world.

A new hall would widen the audience and provide an urgently-needed recording venue. The Academy, built as a theatre in 1857, has been dubbed "the worst concert hall of any major orchestra in the world", with an acoustic which

deadens the sound as soon as it crosses the stage apron. Most touring orchestras avoid it, and there are no local alternatives. But older Philadelphians have a sentimental attachment to it, because of its physical beauty and the memories it evokes of Stokowski and Ormandy.

When Muti relinquished the music directorship in 1992, he was known to be frustrated by the slow pace of the campaign for the new hall. "The city lacks long-term vision," says Daniel Webster, music critic of *The Philadelphia Inquirer*. "The orchestra is a great institution that deserves to move with the times, but its fundraising efforts are an embarrassment."

Despite these local difficulties, the orchestra has maintained its reputable standard of playing - something Sawallisch and his musicians hope to demonstrate this summer on their first European tour together. Beginning with two Prom appearances in London, they will perform music by Brahms, Strauss and Schumann. In a nod to Philadelphia tradition, Sawallisch will include one of Stokowski's Bach transcriptions, and there will also be a piece by the orchestra's composer in residence, Bernard Rands.

Sawallisch was not an obvious choice for music director. A 71-year-old Bavarian with an aura of steadiness, he lacked the "exciting" image with which American orchestras like to market themselves. Despite his solid reputation in Europe, he was little-known in the US: since the 1960s his few American appearances had been confined to the Philadelphia Orchestra.

But any doubts were quickly dispelled by the energy and skill with which Sawallisch tackled his new job. Where Muti gave the impression he had never really left Italy, Sawallisch showed respect for local custom and practice. He has bought a home in Philadelphia, proved a dab hand at children's concerts and spent time at the Curtis Institute - the elite conservatoire which provides the orchestra with many of its players.

A single event established his reputation in the wider public eye. When a snowstorm blew up on the day of a Wagner concert in February last year, many musicians were unable to come in from the suburbs. Instead of cancelling the concert, Sawallisch volunteered to play the orchestral score from the piano. The doors were thrown open to anyone able to come.

"It was heroic - one of those events which generate enormous publicity and help to personalise a music director," recalls Paul Horsley, the orchestra's staff musicologist. "Philadelphia had been accustomed to a remove between themselves and Muti. Suddenly, Sawallisch was a trooper. He just sat, talked and played, and everyone felt very intimate with him. He was modest about it, but they could see he was a musician to his fingertips. The orchestra feels the same - they're constantly aware of a profound level of competence."

Instead of the glamorous peaks of the Muti era, Sawallisch has provided a plateau of high standards. Local critics detect a return to the sound and central European traditions which Ormandy developed in his 44-year reign. "There's something in Sawallisch that looks into the orchestra's past," says Webster.



Conductor Wolfgang Sawallisch is bringing the repertoire up to date. But I don't want them to lose their old habits! That's part of the orchestra's magic mystery!

"Ormandy gave us a constant diet of 19th century classics. Muti brought back some of the 18th century and tried to brighten the sound. With Sawallisch, the old weight and warmth is returning, and he has brought the repertoire up to date."

This season's concerts have included works by Henze, Hindemith, Stravinsky and Schoenberg, plus several contemporary American works - all of which belie Sawallisch's

conservative image. He has programmed lots of Haydn, a composer ignored by most American orchestras: it has proved a tonic for musicians and audiences. Sawallisch is also supervising the biggest change of personnel since the Ormandy era. The orchestra he inherited was noticeably ageing. He has put the emphasis on regeneration.

Sawallisch himself seems to have a new spring in his step. After a lifetime in the opera house, latterly dogged by

administrative and artistic problems in Munich, he has vowed never again to conduct staged opera. There will be some concert performances in Philadelphia, including *Ariadne auf Naxos* in May. His contract runs till 1998, beyond which he has refused to commit himself.

But it is no surprise that he should feel at home with the most European-sounding of the "big five" US orchestras. He says he was always fascinated "by the richness of the strings

and golden sonority of the brass, the delicate woodwinds, the optimum balance. Stokowski and Ormandy both had a personal feeling for extreme reverberation in the strings, just like at home you turn up the bass on your stereo."

"For the big works of eastern Europe - Rimsky-Korsakov, Tchaikovsky, Rakhmaninov, works often performed by Ormandy - you need this extraordinary intensity in the string sound. It's never forced or harsh - it's absolutely

natural, with a beautiful sonority that works as well for Stravinsky as for Bruckner. I hope we can refine the complete sound a little, make it more elegant, and that's why we're playing so much Haydn. But I don't want them to lose their old habits! That's part of the magic mystery of this orchestra."

Wolfgang Sawallisch conducts the Philadelphia Orchestra tonight and on Tuesday at London's South Bank Centre.

Boulez bonanza

Richard Fairman on the birthday celebrations

The Boulez 70th birthday celebrations were five years in the making, but as the last violent chord of *The Rite of Spring* struck home on Wednesday, the effort will have seemed well worth it. The artistic success of the series has confirmed perceptions that the London Symphony Orchestra is currently leading the orchestral stakes in Britain, while raising its profile markedly overseas.

Altogether, there have been six concerts at the Barbican in London. The first three have already been seen at the Théâtre Champs-Élysées in Paris and the remaining three follow Saturday to Monday this weekend; the series then moves on, in whole or part, to Vienna, New York and Japan. An orchestral manager in Scandinavia visibly blanched when he heard of the tour's scope and the quality of soloists being hired. Orchestras do

not easily raise the finance for international exploits on this scale, least of all in penny-pinching Britain.

Clive Gillinson, the LSO's Managing Director, explains that the plans started fairly *piano* and only grew into a *fortissimo* later on. The initial impulse to mark Pierre Boulez's 70th birthday came from the orchestra. Within a few weeks of the idea being floated, the Parisian connection was made, with Vienna and Japan wanting to join in later, as the musical programme became clearer. Paris mostly raised its own finance; for New York and Japan the orchestra has sponsorship from Takeda Chemical Industries, the Japanese pharmaceutical company.

In London, where the box office receipts are already in, the series has been a success. The six programmes (two with repeats) have averaged about 90 per cent attendance, which could not have been guaran-

teed. A degree of uncertainty is always advisable with 20th-century music, even when soloists of the calibre of Jessye Norman and Mstislav Rostropovich have been booked as an insurance policy.

For the last concert the star draw was Anne-Sophie Mutter, whom the LSO courted successfully some years ago. Her rendition of Berg's Violin Concerto at the Proms a couple of seasons back made a lasting impression for its beauty, but in the Barbican Hall the playing seemed even more intimate, as though the music's emotions were so private that she barely dared whisper them to each member of the audience in turn. The notes hold no problems for her; all her time can be lavished on finding the most tender shades of tone at her disposal.

Boulez made a sympathetic accompanist, warming to the music so generously as to make that infamous American headline ("The iceman cometh") seem to belong to another age. In fact, there were two soloists in this programme, as Laura Aikin had already featured as the poised soprano in Boulez's own *Pit sèlon pit* - improvisation III. After hearing how Boulez traced his musical ancestry back to Varèse and Berg in the previous concerts, it helped complete the picture to hear this inimitably French work deriving from Debussy and Ravel: the impressionists' subtle blending of precision and suggestiveness.

Over the six programmes Boulez has covered all the main roots of the 20th-century musical tree. It was fitting that he should end with Stravinsky's *Rite of Spring*. Although there were passages when the tension flagged, this was by and large a strongly-motivated performance, which capped the impression of an LSO operating close to the pinnacle of its achievements. The risks taken with this Boulez series have paid off handsomely. Next season the orchestra moves on to Bruckner, full of confidence.

It is fair to say that I know less than nothing about rugby. After I had played two weeks of it (aged 9), my family asked me what position I played. "Goalie," I said, and I never played it again. Therefore, where others regard John Godber's rugby play *Up 'n' Under* as sheer entertainment, it also serves for me a didactic function. It is what Horace said poetry should be: at once *dulce et utile*. Truism, anticipation, doubt, panic, bravado, exhilaration; the pass, the scrum, the conversion, the try; male bonding, suspension of private life, team spirit - all these elements of rugby are here onstage. But for many in its audience it is didactic in another way: they come knowing all about rugby, and they leave learning much about theatre.

Up 'n' Under

Alastair Macaulay sees a playwright score sweetly

Godber is a theatrical satirist who takes as his subjects the most clichéd institutions of British life: clubbing, school, marriage, sport, and others. His method is to anatomise their sociology and psychology - while telling a story of sorts - and to present his dissection in a vivid and highly economical, theatrical manner that makes minimum use of scenery or costumes and maximum use of his performers. Language is often concentrated, sometimes heightened, always direct. He seems always to hit the target, and to carry his audience with him.

Up 'n' Under's story starts with a bet between two men. Reg: "You could never train the Cobblers team in five weeks to beat the Wheatbeats." Arthur bets all he has - his mortgage. At once this places us in the competitive male climate that underpins rugby: as obsessive and ludicrous and fierce as the poker-playing world recently dramatised in Patrick Marber's *Dealer's Choice*. Yet we see too that rugby, mainly because it is a team sport, brings out camaraderie and supportiveness as well as competitiveness. *Up 'n' Under* is what you do not

expect a rugby play to be: touching.

Too touching, actually. Godber mares his play with ardent sentimentality: the lads all rally round to help Arthur win his bet, a girl shows herself their equal and finally their team-mate, everyone learns to find courage against overwhelming odds. These flaws make *Up 'n' Under* weaker than some of his other works.

But Godber is always good company, and Richard Lewis's direction here has mischief enough to keep the audience in stitches. The six players (Roger Alborough, Nigel Betts, Adrian

Hood, William Ilkley, John Kirk, Nicola Vickery) summon up all the facets of the rugby milieu - Ilkley is particularly fine - and mime better than most of the performers I saw in this year's London Mime Festival. I adore Arthur's over-stylised preparation for his big penalty kick; he (Betts) earnestly but unconsciously collects himself in a perfect ballet fourth position (*croté*, with fastidious *épaulement*). Even better are the slow-motion passages, as if shown on *Grandstand* or *Sportsworld*. And then there are the songs - "Bye, bye, blackbird", "Dream, dream, dream" - which the players sing to pull them through. Sweet stuff.

At the Playhouse Theatre, London WC2

New season at Glyndebourne

For its second year in its new opera house Glyndebourne is returning to a six production repertoire for its 1995 season which opens on May 22 with the first British performance of Rossini's *Ermione*, an early work of 1819, based on Racine's classical tragedy *Andromaque*. The other new production,

The Makropoulos Case, is the third in Glyndebourne's successful venture into the works of Janáček. Also in the season are revivals of two operas that first appeared in the 1994 programme, Harrison Birtwistle's well-received new work, *The Second Mrs Kong*, and Deborah

Warner's controversial version of *Don Giovanni*. Completing the repertoire are a popular Glyndebourne success of 1992, Tchaikovsky's *The Queen of Spades*, and the youthful Mozart's *La Clemenza di Tito*. To fill the new auditorium Glyndebourne has to sell over

400 extra tickets at each performance and, rather to its surprise, it failed last season. Instead of reaching the traditional target of 96 per cent capacity, audiences were just 94 per cent, although the season broke even.

Glyndebourne is keen to

attract first time visitors who can apply for tickets by post from March 23, in person from April 26 and by phone and fax from April 27. Prices are marginally higher, with stalls at £105 and most other seats at £78 and £52, but there are still available for £15 and £20, and a few £10 standing places.

Antony Thorncroft

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ARTS

The romantic idea of the genius undiscovered in his garret may be just that, a romantic idea, but commonsense tells us that there are always more artists worthy of general recognition than are acknowledged.

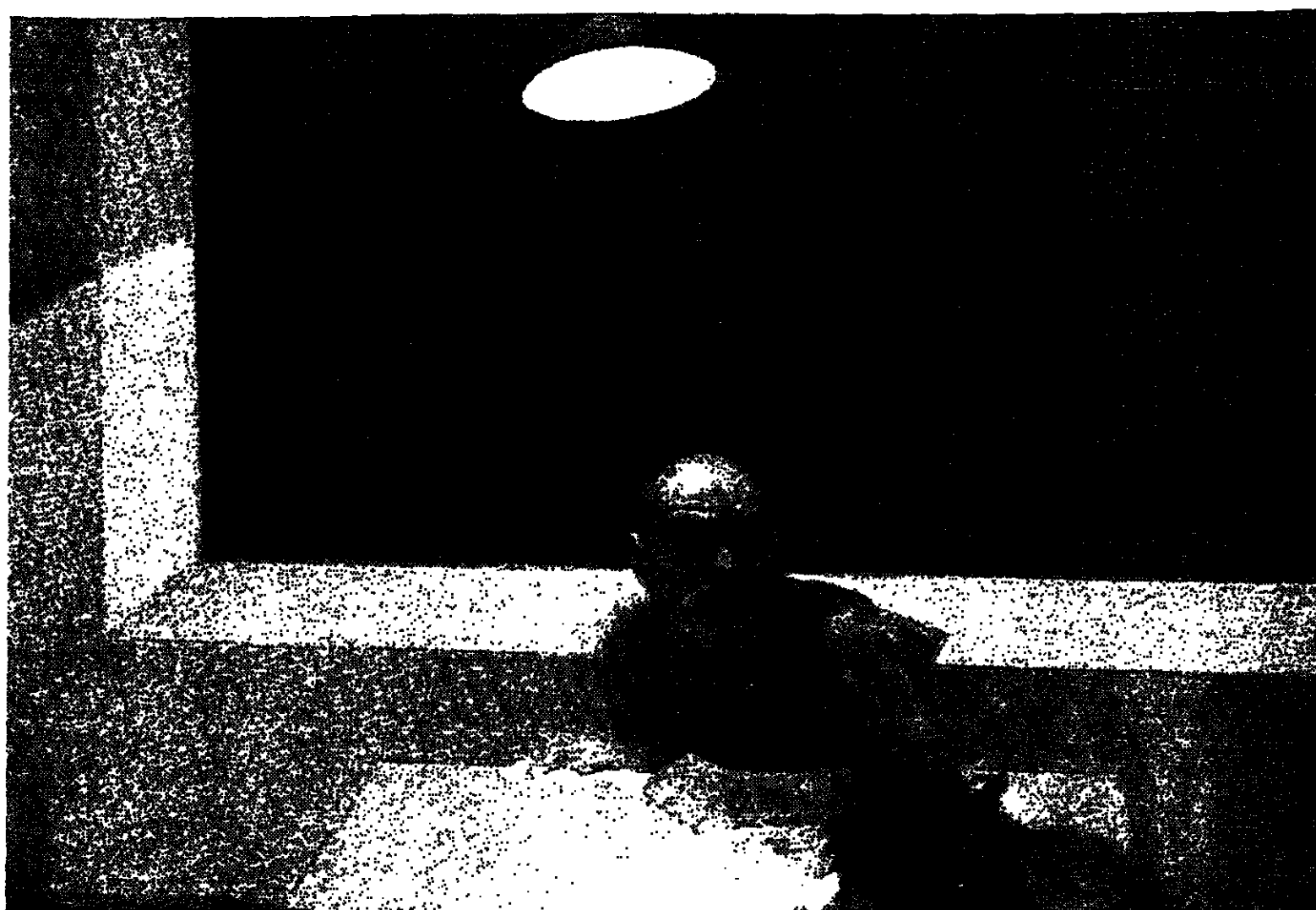
György Gordon is now 70. Hungarian by birth, he studied at Budapest in the early 1950s and came to England in the aftermath of the Hungarian Uprising of 1956. He settled at Wakefield, where he took up a post at the art school from which he has since retired. The career of the artist, teacher, with its creative frustrations and disinterested rewards, is the commonplace of British practice in the visual arts. Many such towns must have their György Gordons.

He is a romantic expressionist painter who has looked somewhat self-consciously to Francis Bacon in his more overtly symbolic and generalised compositions, while evincing, perhaps, a truer sympathy for late Rembrandt in the more private and intuitive images. This more personal work is by far the more successful.

Here there is a paradox, for the self-portrait is the motif that runs through all his work, and how can a self-portrait be anything but self-conscious? Yet some are self-dramatising, even self-tying, and others are not. It is not to make light of the personal experience that may have informed the former, particularly in the earlier work, to point out that the latter are the more poignant and compelling. Any artist is most himself when lost in his work, and Gordon is no exception. Some tendentiously sentimental labels apart, this is an intriguing and deserved retrospective.

Kiki Smith is self-conscious as only the polemical feminist artist can be, and it is only by the self-regarding apologies of feminist criticism that her work can be justified. Many of these female figures, moulded from life in paper, wax or plaster, are cast portentously in bronze. But the actual modelling of form and surface is vague, perfunctory, uninformed and incurious.

"The body, in Smith's work", runs the catalogue note, "is always in process - just emerging from, or on the verge of slipping back into, its matter... she searches for exceptions to our biological determinism in mythopoetic accounts of women... In 'Peacock' a woman sits on the floor while fanning out behind her on the wall is an enormous peacock tail... the central jewel... formed from delicate drawings of blue vaginas." Actually she is looking sideways



A romantic expressionist: 'Self-Portrait with Window' by György Gordon

Self-conscious portraits

at these recondite motifs, worked on squares of paper to which she is curiously attached by pieces of string, two of which drape from her eyes.

A more modest but infinitely more effective demonstration of the cost of inhabiting the female body is made by Susan Macfarlane, who was invited to work in cancer laboratories, operating theatres and recovery wards in London and Gloucester. Her engagement is with neither the mythopoetic nor

the politics of gender, but with a hard and fearful reality. The simplicity, humour and unsentimental directness of her approach gives her work an added force.

Occasionally she too slips into self-consciousness. Her nude on an operating table is particularly arch, and her rapid graphic notation verges on the caricature from time to time. But for painterly and technical tricks she commands, the quick image laid over

the variegated gesso grounds and scumbles, merely allow her the more readily to engross herself in the quiet human drama acted out before her.

William Packer

György Gordon: National Portrait Gallery, St Martin's Place WC2, until June 25, then Wakefield, a Huddersfield Art Gallery Touring Exhibition; also at the Hart Gallery, 113 Upper

Street N1, until April 2. Kiki Smith: Whitechapel Art Gallery, Whitechapel High Street E1, until April 23, supported by the Henry Moore Foundation. A Picture of Health: by Susan Macfarlane, Foyer Gallery, the Barbican Centre, Silk Street EC2, until March 27, then national tour; sponsored by Bristol-Myers Squibb Pharmaceuticals. JS Pathology and Unlabeled UK. After Auschwitz, reviewed on Tuesday, is at the Festival Hall.

Radio/Martin Hoyle

Men still made of the right stuff

The news that Radio Scotland is to contribute more to the national - I mean British, therefore multinational - network is welcome. I have sung the praises of the Caledonians before, though it seems that lately they have sent as much talent south as they keep. Sheena McDonald politely, unstoppably, skewering the Sunday Times for its Michael Foot-KGB story on Radio 4 is just the latest example. Magnus Linklater could do with some of her deadly, courteous thrust, to judge by his relatively ineffectual showing on Radio Scotland against the SNP leader last Sunday. A mini-scandal concerning alleged bugging and the private life of an SNP candidate fell flat before the ferocious Alex Salmond, who is more effective on radio than television where his engaging resemblance to Victor Spinetti makes one take him less seriously than he merits.

In England the sexual tendency is reversed. Last week Radio 4's *Mediawave* was presented not by Joanna Coles but a male stand-in (though the inaffable Radio Times was unaware of the fact) and the difference was marked: professionalism, the ability to read a

script and conduct an interview. This was as well, since Richard Lambert, the FT's editor, joined a colleague from the Independent to comment on the press treatment of the Barings affair. The papers have reacted along class lines, with the tabloids enjoying the crusty out-of-touch aristos meeting their come-uppance from "nerdy people crossed with barrow boys". The most telling fact, as our man pointed out, was the firm alignment of the Times on the side of cheap populism complete with thrill-packed heading and picture, mystifyingly, of Peter O'Toole as Lord Jim. The imbrolio's quick resolution has disappointed those hacks who were kidding themselves up for a cruise in south-east Asia. "Even The Independent can afford to send someone to Frankfurt," said the Independent man, regretfully.

Foreign Postings has shown that though banking may not be what it was, our men abroad are still made of the right stuff. In a series on the

recent central European upheavals we have heard of ambassadors' wives manning barricades, our chap in West Germany serving hot, sweet British army tea to awe-struck Berlin Wall-crossers, and, last week, the whole ambassadorial family hiding in the cellar during the revolution in Romania. They had whisky bottles (full, one hopes) ready to use as clubs should the Securitate attempt, as rumour had it, to kidnap them. They eventually made it to the only Bucharest embassy with an armed guard: the American one. A happy ending of a sort, I suppose.

This is recognisably the stock from which Saki's characters were finely chiselled. A new series of *The Chronicles of*

Clovis seems to understand that E.H. Munro wrote the funniest dialogue of the post-Wilde era. His exquisitely-malicious short stories of socialite Edwardiana, softened by sympathy, for the underdog (children against bullying adults, animals against humans), are masterpieces. Justin Greene's

adaptations are not half bad, especially when inventing the dialogue merely reported indirectly in the original. Only the casting of the title role lets things down: Mark Tandy

sounds the right class, rare enough with young actors these days, but rattles out his lines at an unwavering speed and in an unwavering near-monotone. Otherwise, the cast quivers with good intentions: John Sessions, Prunella Scales, Samuel West, Angela Thorne... for a lifelong Saki fan the prospect is entrancing. He is a *petit maître* and we should cherish him.

Television/Christopher Dunkley

Focus on sex

Tonight sees the start of *Red Light Zone*, the series which, without any particular effort from Channel 4, has promoted itself by the Benetton method: cause an outcry, get a debate going within the world of issue journalism and, hey presto, lots of publicity for a remarkably low outlay. Spread across eight weeks on Saturday nights, beginning today at 11.06, the season promises to focus on sex, the sex industries and sexual tourism. Programmes will include documentaries and short dramas touching on "pornography, urban prostitution and the growth in erotic entertainment". Presumably the programmes about all that rampant rural prostitution are being withheld.

Today's offerings begin with *NYPD Nude*, a documentary about Carol Shaya, the New York policewoman who modelled for Playboy magazine, and end with a repeat of *Chicken Ranch*, the documentary about a famous brothel in the desert near Las Vegas. In between come *The Peanut Club*, a short documentary about a strip club in Los Angeles; *White Jazz*, a documentary about American crime writer James Ellroy; and *Blue*, a 25-minute Canadian drama about a carpet manufacturer who likes soft porn.

Having watched all this apart from *The Peanut Club*, the first thing to be said is that anyone hoping that television was finally going to provide a spot of late night arousal will be disappointed. The implication in Channel 4's phrase "a unique and challenging zone of programming aimed at an adult audience" is really not fulfilled. There is nothing here that could not be watched by an intelligent and open minded 13-year-old. If the opening night is anything to go by, then this season is going to be worthy, not to say po-faced, and concerned overwhelmingly with North America.

NYPD Nude serves as a good example of the whole. It is devoted not so much to sex as sexual politics: does one policewoman posing for Playboy "damage" other policewomen and prevent them being "taken seriously", or does she prove that women now have the best of all possible worlds, able to do jobs once regarded as men's while still exploiting male appetites? Actually the second half of that question is not

addressed, but then the programme was made by a woman. Like so many of today's documentaries, it eschews both the reporter and the voice-over, leaving you with the protagonists speaking for themselves, a formula which seems particularly pure until you remember that the producer chose all the protagonists and then chose precisely which bits of their contributions to use.

While *Jazz* has little to do with sex, more to do with murder, and a great deal to do with the inside of James Ellroy's head. It is not immediately clear what it is doing in this season at all. *Blue*, on the other hand, although it, too, has much to do with the inside of someone's head, is concerned almost entirely with sex. This makes for a most unusual piece of work since it is neither an exploitation flick nor a comedy. It is a poignant tale, with a neat twist at the climax, about the masturbation fantasies of a respectable middle-aged man, who dwells upon an old fashioned soft-porn movie.

Next week the evening begins with *Marmingham Diaries* in which a band of Bradford prostitutes reveal all (except their bodies) to the camera: prices in car and out, dressed and undressed; punters' requirements - mostly sad, often weird; reasons for going on the game; relationships with their own men, and so on. Then comes *Scarborough Ahoy!*, yet another drama about an oddity assorted couple spending time out of season in an English seaside town. It is remarkable chiefly for the extraordinary professionalism achieved by its creators who are in the running for Student Oscars. The third week begins with *Go-Go Archipelago*, a documentary about Russian girls undercutting their American sisters in New York go-go joints.

Perhaps one day television will present us with a season that deals with heterosexual relationships not in terms of criminality, exploitation and violence but as one of the few aspects of life which most people find consistently enjoyable.

Cheese No 1085: 1... Bc6 2 Rf4 g5! 3 Rxd4 Rf4! 4 Rxb4 gxb4 5 Kf3 h3 6 Kf4 (6 Kf3 bishop takes e4 winning a piece) Bxe4 7 Kxe4 h2 and queens.

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QUEEN ELIZABETH HALL THURSDAY 16 MARCH 7.45pm
LONDON MOZART PLAYERS
Mozart and his Contemporaries
STAMITZ Symphony Op.24 No.3
W.A. MOZART Piano Concerto No.27 K595
W.A. MOZART Six Minuets K164
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ROYAL FESTIVAL HALL

11 Mar 7.30 **PHILHARMONIA ORCHESTRA** Wolfgang Sawallisch (cond) Murray Perahia (pno) Strauss Macsway; Ein Heldenleben; Schumann Piano Concerto
12 Mar 7.30 **PHILHARMONIA ORCHESTRA** Wolfgang Sawallisch (cond) Murray Perahia (pno) Strauss Don Juan; Also sprach Zarathustra; Schumann Piano Conc. Bam. John Arne Hall, Scots. Westdeutsche Landesbank Giechroten. £28, £22, £17, £10, £5 Phil Ltd

14 Mar 7.30 **BBC SYMPHONY ORCHESTRA** Elgar: The Music Makers. Andrew Davis (cond) Antonio Nieva (cond) Handel/Eggar Overture in D minor; Elgar Cello Concerto; Symphony No.2
Sponsor: Land Rover. £10 (unreserved) BBC Radio 3 FM

11 Mar 7.30 **VERDI LA BATTAGLIA BY LESANNO**
Chelsea Opera Group Orchestra & Chorus, Grant Llewellyn. Libretto by Salvatore Cammarano. Concert performance, in Italian. £17.50, £15 (ONLY) Chelsea Opera Group

12 Mar 7.30 **LONDON SUZUKI GROUP** Christine Livingstone (dir of music) Son Music of Tokyo. £28, £22, £17, £10, £5 London Suzuki Group

13 Mar 7.30 **SHIGELAI SPENDENKO** with Milton Keynes City Choir, N. Darnley. Walton (cond) A. Handy (pno) Susanah Simons (pno). Pro. inc. Haydn London; Shostakovich Conc 1; Dvorak Czech Suite excepts; Mendelssohn Italian. Scots. Unres. £15, £12, £9, £5 "MKCO"

13 Mar 7.30 **NEW SYMPHONY ORCHESTRA** Leif Marquardt (cond) Jard van Nes (mezzo) Beethoven/Mahler Siring Glet. Op.55; Wagner/Puccini Wesendonk Lieder; Shostakovich Chamber Sym. Op.110a. £15, £12.50, £10, £8, £5 ICM Artists (London) Ltd

14 Mar 7.30 **MOZART & HIS CONTEMPORARIES** London Mozart Players, Mathias Bamert, Justus Frantz, Stamitz Symphony; Mozart Piano Conc. K.595; 6 Minuets, K.164; Beethoven Sym No.1. Sponsor: Glaxo and the Bank Group. £8 (ONLY) "HMS"

14 Mar 7.30 **LONDON SUZUKI GROUP** The Arts: War & Peace. Sir Simon Rattle (cond) I. Stravinsky, B. Britten, P. Langelier, B. Knutsholm, N. Robinson, P. Hall, C. Parnes, Parnes Les Marmottes de Tiroles; Boulez Le Solist des Sauts. £28, £22, £17, £10, £5 Sir Freds Ltd

15 Mar 7.30 **MARK BEBBINGTON** (pno) Hayden Son, Hob. J.V.150; Debussy Inci La Cathédrale engloutie; Satie Inci Gnossienne No.4; Jazz Inci; Mephisto polka; Concert paraphrase on themes from Verdi's Rigoletto. £10, £8, £5

16 Mar 7.30 **NASH ENSEMBLE** 20th-C Music Series. Shostakovich Waltzes; Piano Trio, Op.67; Dvorak Dedicatee; Fireworks Before the Thunder. Op.77; Tannier Almatine Songs (revised ver) "NCS" £15 free talk. £10, £7

TREVOR PINNOCK conductor
HAKAN HARDENBERGER trumpet
National Arts Centre Orchestra, Canada

Beethoven Symphony No.8
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Linda Bouchard Veritas (London Premiere)
Symphony No.3 (Scottish)
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INTERNATIONAL ARTS GUIDE

What's on
in principal
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AMSTERDAM

GALLERIES

■ **Amsterdams Historische Tel:** (020) 523 1822
Hunger, Winter and Liberation in Amsterdam: exhibition that marks the changes in Amsterdam during the last months of the second world war and the Liberation; to Sep 3
■ **Jewish Historical Tel:** (020) 626 9945
□ Taking a Stand: exhibition shows the work of two artists, Ralph Prins and Felix Nussbaum to commemorate the 50th anniversary of the Liberation. Nussbaum was killed in Auschwitz and Prins was one of the survivors of the Theresienstadt camp; to May 7
■ **Ukraynische Tel:** (020) 673 2121
UKYO-E: Japanese prints; to May 28

■ **Stedelijk Tel:** (020) 5732 911
Alfa Romeo: The Essence of Beauty: exhibition marking the development and design of Alfa Romeo cars; to Apr 2

THEATRE

■ **Het Muziektheater Tel:** (020) 551 89 22
Schoenberg Trilogy: new production of "Die Glückliche Hand", "Von Heute auf Morgen" and "Erwartung" with David-Wilson Johnson and Isidore Elchlepp. Winfried Maczowski conducts; 8pm; Mar 11, 14, 18
■ **Museumplein Tel:** (020) 420 0200
Saitimbeno: performed by the Canadian troupe *Cirque du Soleil* involving acrobats, jugglers, pop music and computers; 8.15pm; to Mar 19 (Not Mon)

BALTIMORE

CONCERTS

■ **Symphony Hall Tel:** (410) 783 8000
Baltimore Symphony Orchestra: with cellist Mihaly Vinyay and violinist Dmitry Sitkovetsky. Maximiano Valdes conducts Strauss and Brahms; 8.15pm; Mar 16, 17, 18

THEATRE

■ **Center Stage Tel:** (410) 685 3200
Happy End: book and lyrics by Bertolt Brecht, music by Kurt Weill. Irene Lewis directs this adaptation by Michael Feingold set in 1920s Chicago; 7.30pm; to Mar 28

BARCELONA

GALLERIES

■ **Fundacio Joan Miro Tel:** (93) 329 19 08
Julian Schnabel: including 30 large format paintings and four monumental sculptures displayed outside the building; to May 14

BERLIN

GALLERIES

■ **Alte Museum Tel:** (030) 203 55 00
Munch and Germany: exhibition of early works by Norwegian artist Edvard Munch and German artists influenced by him; to Apr 23
■ **Deutsches Historische Tel:** (030) 215020
□ Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the German Democratic Republic; to Apr 16
□ Pictures and References: with more than 2,000 paintings, coins, materials and other artefacts; to Dec 1 (Not Sun)
■ **Neue Nationalgalerie Tel:** (030) 2662653
George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17

OPERA/BALLET

■ **Deutsche Oper Tel:** (030) 3419249
□ *Die Zauberflöte*: by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 13, 15
□ *Martha oder Der Markt zu Richmond*: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Baumbach; 7pm; Mar 11, 14, 16
□ *Tannhäuser*: by Wagner. Conducted by Jiri Kout, production by Götz Friedrich; 8pm; Mar 12

BOLOGNA

OPERA/BALLET

■ **Teatro Comunale Tel:** (051) 529999
Carmen: by Bizet. A new production directed by Federico Tiezzi and conducted by Garcia Navarro. Soloists include Elena Zambra as Carmen and Maria Bayo as Micaela; 8.30pm; Mar 12 (3.30pm), 14 (3.30pm), 16 (8pm), 18

FRANKFURT

CONCERTS

■ **Alte Oper Tel:** (069) 1840 400
□ Flamenco: Amparo de Triana with her group; 8pm; Mar 18
□ **Radio Symphony Orchestra Frankfurt**: with pianist Tzimon Barto. Dimitri Kitajenko conducts Ravel, Gershwin and Mussorgsky; 8pm; Mar 15 (7.30pm), 16, 17

GALLERIES

■ **Arte Gland Tel:** (069) 97 58 37 88
Le Corbusier: Le Corbusier, famous for his architecture, also produced oil paintings, watercolours, drawings and graphics. This is an exhibition of 40 such works created between 1928 and 1964; to Mar 31

GENEVA

GALLERIES

■ **Art et Histoire Tel:** (41) 311 43 88
□ Icons: the Mavromichalis



Barbara Hendricks: in concert in Paris

donation; to May 7
□ **Swiss Romande Posters**; to Mar 26
■ **Art Moderne, Petit Palais Tel:** (41) 348 14 33
Georges Papazoff (1894-1972): retrospective to celebrate the 100th anniversary of the birth of the artist; to Mar 15
■ **Centre d'Art Contemporain Tel:** (41) 329 18 42
Tony Oursler: installation by the artist; to May 28

LONDON

CONCERTS

■ **Barbican Tel:** (0171) 638 8891
National Arts Centre Orchestra, Canada: Trevor Pinnock conducts Beethoven, Haydn and Mendelssohn; 7.30pm; Mar 12
□ **Musée d'Art Moderne**: the leading singer of queer devotional music; 7.30pm; Mar 18
□ **Opera Gala Night**: operatic highlights from the London Symphony Orchestra conducted by Paul Wynne Griffiths. Soloists include soprano Josephine Barstow and tenor Arthur Davies; 8pm; Mar 11
□ **The Magic of Mackerras**: Sir Charles Mackerras conducts the Royal Philharmonic Orchestra and cellist Steven Isserlis in Dvořák; 7.30pm; Mar 17
■ **Festival Hall Tel:** (0171) 928 8800
□ **Everly Kleen**: pianist plays Schubert, Chopin, Liszt and Schumann; 3.15pm; Mar 12
□ **Philharmonia Orchestra**: with pianist Murray Perahia. Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 11, 14
■ **Queen Elizabeth Hall Tel:** (0171) 928 8800
□ **Deutsche Kammerphilharmonie**: Mikhail Petrenko conducts Haydn and Mozart; 7.45pm; Mar 18
□ **London Sinfonietta**: Sir Simon Rattle conducts Poulenc's "Les Mamelles de Tirésias" and Boulez's "Le Soleil des Éaux". Soloists include Lucy Shetton, Barbara Bonney and Philip Langridge; 7.45pm; Mar 17
□ **New Sinfonietta Amsterdam**: with mezzo-soprano Jari van Nes conducted by Lez Marquitz; 7.45pm; Mar 13

GALLERIES

■ **Barbican Tel:** (0171) 638 8891
Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rotherstein and Whistler; to May 7
■ **British Museum Tel:** (0171) 638 1555
Byzantium: treasures of Byzantine art and culture from British collections; to Apr 23 (Not Sun)
■ **Festival Hall Tel:** (0171) 928 8800
After Auschwitz: exhibition of paintings, sculpture and photography produced by 21 artists in response to the Holocaust; to Apr 17
■ **Hayward Tel:** (0171) 261 0127
□ **Yves Klein**: more than 110 works conveying the full range of his output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; to Apr 23
■ **National Gallery Tel:** (0171) 839 3921
Spanish Still Life: from Velázquez to Goya. Exhibition of 16th-17th century Spanish paintings by artists such as Cotán and Zurbarán; to May 21
■ **Royal Academy Tel:** (0171) 439 7438
Poussin: more than 90 works by the French artist. Centrepiece of the exhibition are the two series of the "Seven Sacraments"; to Apr 9
■ **Serpentine Tel:** (0171) 402 0343
Man Ray: exhibition of works by the celebrated artist; to Mar 12
■ **Tate Tel:** (0171) 887 8000
Willem de Kooning: a major exhibition featuring over 70 paintings drawn

from private and public collections worldwide; to May 7

OPERA/BALLET

■ **English National Opera Tel:** (0171) 932 8300
□ **Don Giovanni**: a new production of Mozart's opera. In-house debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 15, 17
□ **Madama Butterfly**: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 11, 14, 18
□ **The Cunning Little Vixen**: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 13, 16
■ **Royal Opera House Tel:** (0171) 340 4000
□ **Giselle**: music by Adolphe Adam. A Royal Ballet production choreographed by Markus Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 17
□ **Solome**: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 11 (7pm), 15, 18

THEATRE

■ **Aldwych Tel:** (0171) 836 6404
Indian Ink: by Tom Stoppard. With Felicity Kendal, Margaret Tyzack and Art Malik; (Not Sun)
■ **Apollo Shakespeare Tel:** (0171) 494 5070
□ **In Praise of Love**: by Terence Rattigan. Directed by Richard Olivier, this comedy is based on the relationship between Rex Harrison and his wife. With Peter Bowles and Lisa Harrow; 8pm; (Not Sun)
■ **National, Cottesloe Tel:** (0171) 928 2252
Alce's Adventures Under Ground: adapted from the writings of Lewis Carroll by Christopher Hampton. A look into the darker side of a man known by millions as a storyteller for children; 7.30pm; Mar 11 (2.30pm)
■ **Old Vic Tel:** (0171) 928 7616
Conversations with My Father: by Alan Ayckbourn. Stars Judd Hirsch who won a Tony award for his role; 7.45pm; (Not Sun)
■ **The Pit, Barbican Tel:** (0171) 638 8891
New England: Richard Nelson's new play; 7.15pm; Mar 11

LOS ANGELES

CONCERTS

■ **Dorothy Chandler Pavilion**
□ **Fletcher Plays Ravel**: with pianist Leon Fleisher and mezzo-soprano Carmella Jones. Lawrence Foster conducts Steiger, Falla and Ravel's "Piano Concerto in D"; 8pm; Mar 11, 12 (2.30pm)
□ **Los Angeles Philharmonic**: with pianist Christian Zacharias. Lawrence Foster conducts Stravinsky, Mozart and Mendelssohn; 8pm; Mar 17, 18

GALLERIES

■ **County Museum Tel:** (213) 857 6000
□ **American Impressionism and Realism: The Painting of Modern Life**. Turn-of-the-century American painting including works by John Singer Sargent, Mary Cassatt and Child Hassam; from Mar 12 to May 24

MADRID

GALLERIES

■ **Fundación Juan March Tel:** (91) 435 48 40/435 42 40
Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; to May 21
■ **Prado Tel:** (91) 420 28 36
□ **Sebastiano Del Piombo**: Venetian born artist of the Italian Renaissance. This exhibition explores his influence on Spanish painting during the 16th and 17th centuries; to Apr 30
□ **Zurbarán Jacob and His Twelve Sons**; to Apr 30
■ **Reina Sofia Tel:** (91) 468 30 02
Dali: the early years; to Jun 16

MUNICH

CONCERTS

■ **Bayerische Staatsoper Tel:** (089) 22 13 16
□ **Bayerischen Staatsorchester**: Peter Schneider directs Orff's "Antigones"; 8pm; Mar 13, 14
□ **Evening of Songs**: with Cecilia Bartoli and pianist Myung-Whun Chung. Includes pieces by Bizet, Debussy and Ravel; 8pm; Mar 16

GALLERIES

■ **Bayerisches Tel:** 0 89 211 24 216
The Golden Knight: an example of medieval goldsmith's work from Paris; to Apr 20
■ **Haus der Kunst**
Deutsche Romantik: previously on show in London, this exhibition has created much discussion in Germany. It examines the work of early German Romantic painters and their cultural and political impact on later German artists; to May 1

OPERA/BALLET

■ **Bayerische Staatsoper Tel:** (089) 22 13 16
□ **Der Junge Lord**: by Hans Werner Henze. A new production by Günter Krämer and conducted by Dennis Russell Davies; 7pm; Mar 12
□ **Don Giovanni**: by Mozart, in Italian. A new production by Nicholas Hytner with conductor Hans Drenowatz; 7pm; Mar 11, 18
□ **Il Trovatore**: by Verdi. Conducted by Miguel Gomez Martinez, produced by Luca Ronconi. In Italian; 7pm; Mar 15, 17

NEW YORK

CONCERTS

■ **Avery Fisher Tel:** (212) 876 5030
□ **New York Philharmonic**: Valery Gergiev conducts Ljadov, Berlioz and Tchaikovsky; 8pm; Mar 11, 14
□ **New York Philharmonic**: with soprano Gillian Webster, Sir Colin Davis conducts Mozart and Mahler; 8pm; Mar 16, 17 (2pm), 18
□ **The London Philharmonic**: Frank Weiser Most conducts Shostakovich and Strauss; 8pm; Mar 12
□ **The London Philharmonic**: plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13

■ **Carnegie Hall Tel:** (212) 247 7800
□ **Yuri Bashmet**: debut at this venue for the violinist recently named "Instrumentalist of the Year" at the 1994 International Classical Music Awards. He is joined by pianist Mikhail Muntian to play Marais and Shostakovich; 8pm; Mar 14

GALLERIES

■ **Museum of Modern Art Tel:** (212) 708 9480
Kandinsky: Compositions: exhibition featuring approximately forty works including seven of the surviving "Composition" paintings; to Apr 25
■ **Whitney Museum**
Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

OPERA/BALLET

■ **Metropolitan Tel:** (212) 362 6000
□ **Idomeneo**: by Mozart. Produced by Jean Pierre Ponnelle, conducted by Jean Levine; 8pm; Mar 15, 18
□ **La Bohème**: by Puccini. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 11, 14, 16 (1.30pm)
□ **La Traviata**: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 13, 17
□ **Simon Boccanegra**: by Verdi. New production directed by Giancarlo del Monaco; 8pm; Mar 11 (1.30pm), 16
■ **New York City Opera Tel:** (212) 307 4100
La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotti. Soloists include Janice Hall/Okeana Krovitka and Stephen Mark Brown/Richard Drews

THEATRE

■ **Circle in the Square Tel:** (212) 239 6200
Uncle Vanya: by Chekhov. Cast includes Tom Courtenay, Amanda Ronchese and James Fox; 8pm
■ **New York City Public Theatre Tel:** (212) 698 7150
The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein. Ron Leibman plays Shylock; 8pm; (Not Mon)
■ **Roundabout Theatre Company**
The School for Wives/The Imaginary Cuckold: by Molière. Michael Langham directs Richard Wilbur's translation and stars Brian Bedford; 8pm; to Mar 17 (Not Mon)
■ **Variety Arts Tel:** (212) 239 6200
Death Dying Acts: three one act plays by Woody Allen, David Mamet and Elaine May. Directed by Michael Blakemore and with Linda Lavin, Debra Monk and Paul Gutfyole; 8pm; (Not Mon)

PARIS

CONCERTS

■ **Champs Elysées Tel:** (1) 49 52 50 50
□ **Barbara Hendricks**: soprano is joined by pianist Michael Tilson-Thomson to play Mahler, Wolf and Copland; 8pm; Mar 12
□ **Beaux Arts Trio**: plays Beethoven; 8.30pm; Mar 14
□ **London Symphony Orchestra**: with violinist Anne-Sophie Mutter and soprano Laura Aikin. Pierre Boulez conducts Berg and Stravinsky; 8.30pm; Mar 11
□ **LSO: Pierre Boulez** conducts Ravel, Messiaen, Stravinsky and his own "Messiaenquise"; 8.30pm; Mar 12
□ **LSO: with violinist Kyung-Wha Chung** and under the direction of Pierre Boulez plays Ravel and Bartók; 8.30pm; Mar 13

GALLERIES

■ **Galerie Schmitt Tel:** (1) 42603636
From Delacroix to Matisse: exhibition including works of Delacroix, Matisse, Picasso and Degas; to Apr 13
■ **Georges-Pompidou Tel:** (1) 42771233
□ **Brassai**: works by the French photographer; to Apr 3 (Not Sun)

□ **Louise Bourgeois**: retrospective of drawings; to Apr 17
■ **Musée d'Art Moderne, Ville de Paris Tel:** (1) 47236127
André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)
■ **Musée d'Orsay Tel:** (1) 45491111
James McNeill Whistler: exhibition of works; to Apr 30

OPERA/BALLET

■ **Opéra National de Paris, Bastille Tel:** (1) 47425750
□ **Magnificat**: music by Bach, choreography by John Neumeier. Gunther/Rainer Mühlich directs this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 11, 17, 18
□ **The Masked Ball**: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gégan Grigorian and Gaetan Laperrière; 7.30pm; Mar 16

THE HAGUE

GALLERIES

■ **Gemeentemuseum Tel:** (070) 33881111
Piet Mondrian: exhibition of 147 works on the 50th anniversary of the artist's death; to Apr 30
■ **Museum Paleis Louwvoort Tel:** (070) 3381111
□ **Piet Mondrian (1872-1944)**: paintings and drawings by the Amsterdam born painter on the 50th anniversary of his death; to Apr 30
□ **Russian Avant-Garde**: over 70 works from the Abram Chudnovsky collection that includes work by Malevich and Larinov; to Apr 23

VIENNA

CONCERTS

■ **Gesellschaft der Musikfreunde Tel:** (1) 505 13 63
□ **André Previn and his Friends**: with soprano Sylvia McNair, alto Susan Graham, tenor Hans Peter Blochwitz and baritone Hakan Hagegard. Previn, along with David Golub, plays piano in a programme of Brahms and Mozart; 7.30pm; Mar 14
□ **Radio Symphony Orchestra**
Moscow: with pianist Stefan Vladar. Wladimir Fedosejew conducts Weber and Tchaikovsky; 7.30pm; Mar 11, 12

GALLERIES

■ **Kunst Haus Wien Tel:** (1) 712 0491
Jean Dubuffet: retrospective with more than 140 works; to Apr 30
■ **Wiener Kammeroper Tel:** (1) 512 01 00
I Quattro Rusteght: by Wolf-Ferrari. Musical comedy directed by Boris Pokrovskij, conducted by Wen-Pin Chen; 7.30pm; Mar 13, 15, 18

WASHINGTON

CONCERTS

■ **Kennedy Centre Tel:** (202) 467 4600
□ **National Symphony Orchestra**: with soprano Jayne West, tenor Joseph Harris and baritone Kevin McMillan. James Paul conducts Hugo Alfvén, Darius and Orff; 8.30pm; Mar 11
□ **Washington Chamber Symphony**: with cellist Evelyn Eising. Stephen Simon conducts Morton Gould, Vivaldi and Schubert; 7.30pm; Mar 11
■ **Corcoran Tel:** (202) 638 3211
Passions: Visions of the American South: Self Taught Artists from 1940 to the Present. Paintings and sculpture by 80 artists influenced by their communities, traditions and using materials readily available to them; from May 7
■ **National Gallery Tel:** (202) 737 4215
□ **Claes Oldenburg**: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7
□ **Renascence Architecture**: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; to Mar 19
□ **The Glory of Venice**: exhibition containing works by 18th century Venetian artists. Included are paintings, drawings, pastels, prints, illustrated books and sculptures by artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23
■ **Phillips Collection Tel:** (202) 387 2151
The William S. Paley Collection: includes 73 paintings, sculptures and drawings by such artists as Cézanne, Matisse, Picasso, Degas and Gauguin; to Mar 26

GALLERIES

■ **Corcoran Tel:** (202) 638 3211
Passions: Visions of the American South: Self Taught Artists from 1940 to the Present. Paintings and sculpture by 80 artists influenced by their communities, traditions and using materials readily available to them; from May 7
■ **National Gallery Tel:** (202) 737 4215
□ **Claes Oldenburg**: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7
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OPERA/BALLET

■ **Washington Opera Tel:** (202) 416 7800
Tiefland: by Eugen d'Albert. Roman Tenetichy directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 18 (7pm)
■ **Horizon's Tel:** (703) 519 9123
□ **Kindertransport**: by Diane Samuels. Jane Latham directs a play about the repression of memories in Nazi Germany and the survival of a woman and her relationships; 8pm; to Apr 4
■ **Studio Theater Tel:** (202) 332 3300
Rhinoceros: by Ionesco. Joy Zinoman directs the absurdist comedy warning of the dangers of conformity; 8pm; to Apr 9 (Not Mon)

CHESS

"Too many draws, it's not good," Luis Rentero, former owner of a Spanish supermarket chain and patron of the world's strongest chess tournament, was speaking a few days ago as the draw percentage at Linares 1995 remained stubbornly above 50 per cent.

Participants at Linares sign a contract to pledge fighting games and no pre-arranged draws, but Rentero has said that this year's event would be the last. The impression is that the GMs, freed from the implicit threat of not being invited back, are demob happy. Nigel Short began poorly, then won the best game so far (Short, White; Ljubojevic, Black).

1 e4 e5 2 Nf3 e6 3 d4 cxd4 4 Nxd4 Nc6 5 Nc3 Qc7 6 Be2 a6 7 0-0 Nf6 8 Kh1 h5 Nxd4 9 Qxd4 Bc5 10 Nxe6 fxe6 11 Nxe5 d5 12 f4 b4? Instead of normal Be7 development, Black goes for a kind of Simon derivatives support operation on the Q-side with his most expensive piece - not a good idea when your opponent's name is Short.

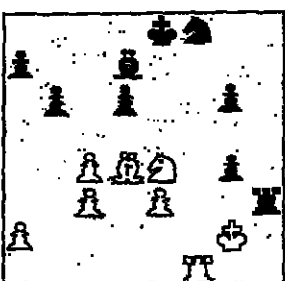
11 e5 h5 12 exf6 gxf6 13 Qe1 Qa5 14 h3 Rb8 15 Bd2 Rb2 16 Bb3 Rxa2 17 Kh1 Qe7 18 e4 h5 19 Bc3 Rb6 20 Qd4! Apparently aimed at the 16 pawn, but White's real target is the e2 rook.

Be7 21 f5 e5 22 c5 Ra3 Elze 23 Qd4 soon traps the rook.

23 Qb4 Rnc3 24 Qxc3 Qe7 25 Rb6 Bb8 26 Rb3 Be7 27 Be4 Qa5 28 Qf3 Kf8 29 Bxc6 Qa7 30 Qd5 Kg7 31 Be1! After forcing Black's pieces to grovel on the back rows, Nigel concludes elegantly. If Bb5 32 Rb8! wins the bishop or mates after Qxb8 33 Qx7+ Resigns.

Cambridge beat Oxford 6-2 in the annual variety match sponsored by solicitors Watson, Farley & Williams at the Royal Automobile Club, London. The series, begun in 1873, is level at 48 wins each. Cambridge used to rely on mathematicians but this year their three top boards - who all won - are studying economics.

No 1065



Lautier v Ivanchuk, Linares 1995. How did Ivanchuk (Black, to play) win quickly?

Solution, Page XIV

Leonard Barden

BRIDGE

Today's rather unusual hand comes from teams-of-four:

♠ 8 5 5 3
♥ A Q 4 2
♦ 6 2
♣ A 9 4

W ♠ 10 6
♥ K 10 8
♦ A 3
♣ K J 10 8 6 2

E ♠ A 4
♥ 9 7 5
♦ 10 9 8 7 5 4
♣ 7 5

With both sides vulnerable North dealt, and after two passes South opened the bidding with one spade, West bid two clubs. North's raise to four spades ended the bidding.

West cashed diamond ace, South dropping the knave. West continued with the three to the queen. Declarer played the spade king, East won and returned a diamond for West to ruff with the 10 of spades. The club four was thrown from

dummy. West played the club knave, taken by the queen. South drew East's trump, and finessed the heart queen, but he could not avoid losing a heart - one down.

Let us replay the hand. When West ruffs the diamond, we consider the position. His hand pattern is probably 2-3-2-6. If we are to make our contract, he must hold the heart king. We must also operate a heart-club squeeze. West is endangered, but if we throw a club or a heart from dummy, the squeeze position is lost. We under-ruff with the spade five. West correctly returns the club knave - if he plays a heart, he gives the contract. We take with the queen, and draw the last trump, finesse the heart queen, cash the ace, then the club ace and run our trumps. When we play the last trump, West is squeezed. He must stop up our king of hearts or dummy's club nine.

E.P.C. Cotter

CROSSWORD

No. 8,708 Set by CINEPILE



Peter Aspdon

Dangerous joy of skewered brains

At any moment, in any ring, a boxer could die. That is the whole point of the sport

Some years ago, I was at the tail-end of a particularly languorous lunch with friends at a favourite Greek restaurant - the owner staring at his watch, the rest of us counting the stars on the Metaxa bottle with a sense of achievement - when a remarkable trio of men walked in.

Their Latin good looks, sharpness of suit and generally louche demeanour were noteworthy enough in this nondescript part of London; but their behaviour was even stranger. No sooner had two of the men sat down than the oldest, shortest and sharpest of the three, entered into detailed negotiations with the exasperated restaurateur over what "the boys" could eat at this time of day.

The emphasis seemed to be on "meat" - and plenty of it. A waiter promptly appeared with a mountain of freshly-barbecued lamb and platters of orange juice. My friends and I speculated wildly, concluding that a Colombian drug baron had taken a wrong turning somewhere in Miami and his towering bodyguards were, well, hungry.

The truth was no less bizarre. For later that evening, I was casually watching on television the latest fight of a British boxer who enjoyed the nickname "The Dark Destroyer" when his opponent, a "highly promising" South American, suddenly looked very familiar to me.

You can guess the rest. Within a couple of rounds, our highly prom-

ising contender was moving with all the grace of the doner kebab he had wolfed down a few hours earlier. Moments later, he was eating canvas. His short, sharp manager put a comforting arm around him. That story always comes back to me when I hear managers, promoters and boxing apologists in general explaining how "well-prepared" their boys are for a bout. How exactly does one prepare for a brain-pummelling? Gerald McClellan was, by all accounts, as ready as you can get, but he still lies inert in a hospital bed.

We must drop the pretence that if only we try hard enough, through better refereeing, better medical support, better matching, we can make boxing "safe". We cannot and it is not. The naked violence of boxing caters in the most dramatic way for the bloodlust which is so clearly part of our human make-up. There are more stylised forms of entertainment which cater for this need - Arnold Schwarzenegger movies, bull-fighting, all physical contact sports - but boxing is the real thing. That is why it is more thrilling, and more revolting.

Just a week after McClellan's defeat came the appearance of another great British hope, Naseem Hamed, he of the sleepy eyes, wacky ringwear and devastatingly quick hands. He made short work indeed of his opponent; but we all had time to watch a "super slo-mo" replay of a right

uppercut thrown in the first round which visibly crunched the face of his Argentine challenger. While all around were doing their best to be "sensitive" and "respectful" in honour of McClellan, good old super slo-mo gave the game away. What happened to McClellan can happen again in any ring, at any time, in any place.

The debate over the ethics of boxing, like those action replays, will keep bobbing up, maybe a couple of times a year, until the end of time itself. It arouses passionate argument because it is truly difficult for us to come to terms with our sadism, our enjoyment of watching blows thumped and blood shed. It was difficult for the ancient Greeks, who leavened their

most brutal tragedies with a cleansing piece of comic relief during their drama festivals; it is difficult for artists of today, who shroud their works with layers of irony and ambiguity in the hope that comic-book delivery can make palatable the most horrific of acts.

The trouble is that in its sanitised form, in films such as *Natural Born Killers*, and in computer games such as *Doom*, the sheer violence of violence is underplayed to such an extent that only the visceral thrill remains. In western "civilised" life, boxing remains one of the few things capable of reminding us that punches actually hurt; it is a nauseating *aide-memoire* that we can all be just a doner kebab away from oblivion.

Al is from the East side of New York. I've known him for nearly 20 years and during that time he's never made a statement that hasn't ended with a question. His words hit you like machine gun bullets.

Futures and feathers

Al is from the East side of New York. I've known him for nearly 20 years and during that time he's never made a statement that hasn't ended with a question. His words hit you like machine gun bullets.

"So you're asking me how business is?" he says, his neck disappearing into his shoulders, his arms lifting in a gesture of despair. "You really want to know? How do you think business is?"

Al is in the feather business. He roams the world looking for stuffing for quilts, for ski gloves, for jackets. Duck down is his speciality. While I was in Singapore reporting on the Barings business last week, he was there too on his way to Burma, looking for feathers.

Al has been chasing ducks and their feathers so long he walks like one. He came waddling along the tow path by the Singapore river, sweating in his unsuitable dark suit with his trousers riding, New York style, half way up his calves.

"So whadya make of all this business?"

It's the first volley in a barrage of thoughts on the Barings saga. Al is not a man normally given to magnanimity. But he feels that his fellow entrepreneurs are being treated unfairly. He sees a certain affinity between the futures trader and the lonely feather merchant.

"Do you know who those guys in New York blame when things go wrong?" Al places a firm finger on his wet forehead.

"Do you know who gets the credit when I close a big deal? Would you believe that it is not Al, but those guys?" Al points a big thumb over his shoulder in the direction of New York.

"It's the same now isn't it? I mean you have this guy here taking in the cash and everyone back home is sitting on their pin-striped whatnots and saying 'Jolly good show'."

'When the proverbial hits the fan, everyone's run for cover, haven't they?'

what? Here, Al gives an appalling impression of what he perceives to be an English upper class accent.

"Then the proverbial hits the fan and where is everybody? They're all run for cover haven't they?"

Al says that both feathers and futures get a bad press. People don't understand the business. So they think the merchants are up to no good when all they are doing is trying to make a decent living. And that's hard enough, let me tell you.

I remind Al of our first meeting - at the Canton trade fair in China in 1976. Mao had just died. A few businesspeople were being allowed back into China. The western world had gone crazy for anything stuffed with high quality duck down. If you didn't have a duck down jacket or quilt you were not at the races.

The trouble was that duck down was in short supply. Millions of ducks were wandering through the rice paddies. Al arrived to do the deal of a lifetime.

But things went wrong. The Chinese were selling on a first-come first-served basis. That meant that whichever merchant reached the feather official in the trade complex first could buy up the lot and make a fortune.

Al and his rival feather men stood at the trade fair opening ceremony, looked down on by stern portraits of Lenin, Engels, Stalin and Mao. The Internationale was played.

The ribbon was cut and the feather brigade was flying. At first they waded along. Then they changed to speed walking. Finally they broke into an awkward run, looking like frantic farmyard geese.

But Al made a ghastly error. His glasses steamed over from the exertion of it all as he thought he would take a short cut. But he did not see the goldfish pond. His fat little legs walked on water for an instant before he dropped into the brackish pond.

Al thrashed round for a while, uttered a few expletives at the fast disappearing band of feather merchants and then just sat there - a watery, miserable heap. I and a few others fished him out. It is the sort of experience that makes for friendship.

"Do I know how this futures trader feels? Do I know? One minute you're the bright-eyed boy and next you're nothing, with everyone laughing or screaming at you? It's the same as back in Canton - you've just got to pick yourself up again haven't you?" says Al.

Al's verbal guns fall silent for a moment. It is like the lull in a bitterly fought battle. We stare at the murky waters of the Singapore river. Al can be relied on to look on the dark side of life. But between Canton 20 years ago and now he has still managed to sell enough feathers to buy a flat in Manhattan, a home upstate and send three children to blue chip colleges.

"Do you know what I think?" says Al. "Feathers, futures, it's all the same isn't it? The world does not respect us traders any more, so what do you do? What do you do?"

Kieran Cooke

Private View

Plotting the errors of English ways

Christian Tyler meets Lord Roll, co-president of S.G. Warburg

At an age when most men are thanking God for each new day of life, Lord Roll is still going into the office.

"I find coming here, still being part of the machine, very conducive to keeping going," he explained. "Remember what Churchill is supposed to have said, 'When I get up in the morning I pick up The Times and look at the obituary column. And if my name isn't in it, I carry on.'"

What Lord Roll does not say is that he is also subject to some peer pressure. His co-president of S.G. Warburg, the 90-year-old Henry Grunfeld, a joint founder of the merchant bank, also goes into the office each day - or did until prevented by a recent illness.

Their view from the top floor of Warburg's office in Finsbury Square in the City of London is not too pleasant these days, what with the recent travails of the bank culminating in the removal of chief executive Lord Cairns, and the ignominious collapse of Barings, its blue-blooded rival.

Yet Lord Roll is sanguine, even cheerful. It would be easy to say that at the age of 87 he has little choice. But his kind of equanimity runs deeper. It is part of a temperament which prompted J.K. Galbraith, the eminent American economist, to declare that Eric Roll was the most accomplished negotiator in public affairs of the last 50 years, ahead of Jean Monnet, Henry Kissinger and Andrei Gromyko.

Lord Roll has written a book, judiciously titled *Where Did We Go Wrong?*, in which he reflects on the causes of Britain's relative post-war decline. I say judiciously because although he identifies a number of economic policy errors since the second world war, he hedges his bets as to the underlying reason for those mistakes.

The English - and not only the English - love to be told how their country is going to the dogs. So they will be disappointed to find that even an outsider like Eric Roll (he was born in Novoselitsa, near Cernowitz, a region of the Austro-Hungarian empire) has been less than forthcoming in his assessment of any other mandarin.

Following a red-brick introduction to English life, Lord Roll quickly rose to the highest ranks of that courteous club, the Establishment, via three glittering careers, as academic economist, diplomat and merchant banker.

He was professor of economics at Hull at the age of 37 and wrote his classic, *A History of Economic Thought*, at 29 (the first draft was finished in six weeks). He worked in

the Ministry of Food and at the Treasury, represented Britain in Washington, at Nato, in negotiations for the Marshall Plan, for EEC membership, at the International Monetary Fund and World Bank, and was George Brown's permanent secretary at the ill-fated Department of Economic Affairs, before sidestepping into Warburg (he had three merchant bank offers to choose from) with a directorship of Times Newspapers, among other things, in his train.

What were Britain's errors? Among them, he says, was rejoining the gold standard in 1925, overestimating Britain's economic strength after the second world war, deciding not to devalue in the early

1950s, the perennial ducking of European Community membership and, most recently, the exchange rate mechanism debacle.

Lord Roll dismisses one popular explanation for the UK's decline - that the best brains have consistently deserted the manufacturing industry in order to play the country gentleman amid "the extravagant millinery of Ascot".

The family of his wife, Freda Taylor, had built up a boilerworks in West Yorkshire, he said, and such people did not lose their appetite for business just by donning top hats.

"For example, I see no evidence that the yuppie generation, who made a tremendous amount of money in no time at all and have spent it on having two Legos and a house in Gloucestershire and a villa on the Riviera, have become less concerned with making money than they were before. On the contrary, I find they are greedier than ever. If you want to put it that way."

Should we then blame the old-fashioned gentrified generalists, the mandarins who advised successive post-war governments?

On the contrary, said Lord Roll. "I was never aware of high officials trimming their advice so as to particularly please their minister or for ideological reasons."

The danger, he said, was a pres-

ent one: that the civil service was losing the independence conferred on it by the Northcote-Trevelyan reforms of the mid-19th century and was turning into a cabal of "courtiers" and "whisperers".

He said: "As the economic debate becomes more acerbic and more politicised, it is more difficult for the adviser not to succumb. This is something I wanted to warn against in my book."

Lord Roll's answer to his own question appears to be that Britain's post-war politicians began with *folie de grandeur* then relapsed into hesitancy and ambivalence. I asked him why that was.

"I wish I knew. I can ask more questions than I can answer, I can assure you," he said.

You must have some feel for the answer.

"I think it was Keynes who said that it's not so difficult to have new ideas. It's much more difficult to get rid of the old ones. Maybe that is the case here. It depends on the emergence of people with courage, the imagination to grasp the moment - and that you can't command."

Maybe we haven't had any moments since the war.

"Well this is maybe it. We've been sort of sliding along from one thing to another without any real turning point, haven't we?"

There is one obvious objection to this argument: Margaret Thatcher.

But Lord Roll will not allow that her social revolution went very deep. And because he is deep down a consensus man, he thinks that some of her institutional reforms - crushing the trade unions, for instance - went too far.

"The miners were beaten. But we have lost the 'valued interlocutor', as the French say. What is going to happen about the nurses? The state is still a very large employer and cannot in my view do without a valid interlocutor at the other side of the table."

I said: are we forced to conclude that nobody can manage Britain - that the old firm is basically non-viable?

"Oh, I wouldn't like to conclude that. We still have, in spite of all our troubles, some assets. There are some good stories around. It's just a question of mobilising these forces and putting the emphasis on the good points and not wasting time on useless ideological and doctrinal squabbles."

"Maybe it isn't so much a question of one great revolution but rather a sort of unwritten political agreement that there is an area of economic policy in which you don't cut each other's throat. But I certainly don't think we are unmana-



Tony Andrews

geable. What I've written about Britain could easily be written about many other countries."

Has economics failed us, or economists?

"I think a bit of both. It's not so much that economics has failed us, but after all these years I have come to the conclusion that one mustn't expect too much of economics."

Classical, or neo-classical, economics supplied "a few simple and valid tenets" about the everyday behaviour of *homo economicus*. Many of the Keynesian conclusions about fiscal and monetary policy were also valid.

"But the predictive power of economics, the power to say what stimuli will produce what results is very small, in my view. So one must not blame economics if one accepts the fact that its powers are limited."

"Now, with economists it's a very different story. I think economists have to some extent failed us in claiming too much. Secondly - and some day I want to study this more - the trend in modern economics to 'rational expectations', to an excessive use of mathematics, bears little relation to the problems of statesmen or entrepreneurs."

In the end politicians did not rely too much on their economists, he said. And if they did, they would probably make a mess of things anyway.

I pointed out that he was himself at the centre of public affairs for most of the period he describes. In the book, are you not pointing the finger partly at yourself?

"Well, that's a perfectly fair remark," he replied. "If I and all the others are to take the blame alongside the politicians."

"But I don't believe the official machine as such can take very much of the blame, except to the extent that it is slow-moving, inherently apt to discount new ideas and to cling to old ones, and therefore requiring from its ministerial masters a certain energetic direction."

Britain had thrown away the chance to take the lead in Europe after the war, when its power was greater than perhaps was justified. It was "an enormous opportunity foregone" whose consequences were still dogging the prime minister.

Are you saying we haven't had a statesman since the war?

"Well that's a big thing to say, but I'm terribly tempted to say it, yes. It's a very broad judgment and a little unfair."

And the one who had courage and determination was herself totally ambivalent about the European Union?

"That is true. I think she was misguided."

Was Thatcher also living in the past, the glory days of empire?

"That's right. Absolutely."

Lord Roll finds himself writing a few obituaries these days. "Alas, the opportunities are increasing."

He said he was not much concerned what goes into his own death notice ("I don't think about the sands of time and that sort of thing," he said). But he had ventured to ask the new obituaries editor of The Times whether they had one of him in their morgue. "Oh, yes," was the reply. "A very good one. I think you'd like it."

Some of your reviewers have complained that you never say anything critical of either the living or the dead, I said.

"It may be a sign of weakness, this blandness, or of good nature. I like to think it is because I am very conscious of my own deficiencies."

Faber, £12.99 or £19.95.

What distinguishes the paper, however, is that it is prepared to attack the disaster industry head-on. It takes the view that the world is quite bad enough without encouraging the proliferation of individuals, associations, charities, pressure groups and television producers to tell us it is even worse than we think.

It may be the role of the smaller countries in Europe to keep a sense of perspective. If you want to remain calm and unworried, they provide comforting refugees.

Luxembourg offers much to those of a nervous disposition. Last Monday it published a large front-page box, solemnly headed, "The Copenhagen Social Summit opens with great enthusiasm". The main news of the day was succinctly told in the headline above a story from Rome: "Fate of the Dini government uncertain".

Countries with undramatic histories have an undramatic view of events. Or maybe it is the other way round.

James Morgan is economics correspondent of the BBC World Service.

As They Say in Europe / James Morgan

A summit for our time

The first modern summit took place in Munich in 1938, involving four heads of state and government, as they now say. It even issued a declaration which promised choice bits of Czechoslovakia to Germany in return for which the Reich would not take any more bits (signed A. Hitler). In spite of this precedent, summits have proliferated.

That affair was not only the first such occasion. It was also the most dramatic. It is the only one which produced a phrase that went down in history. The then British prime minister, Neville Chamberlain, waved the summit statement and is widely quoted as saying that it promised "Peace in our time".

Actually, Chamberlain said something even less meaningful. "Peace for our time", a fact which nobody knows in spite of seeing the film of that famous landing at Northolt airport 1,000 times.

These days summits do, however, provide an ideal occasion for a certain kind of journalist - those for

whom the quantity of words is more important than their quality.

Summits promote editorial denunciations, sermons, threats and vast expense claims. This week's World Summit for Social Development in Copenhagen gets near to promising wealth in our time and not only for freelance reporters. It has dealt with vital issues in a million words. It has been, in other words, the ideal occasion for the German papers.

The *Süddeutsche Zeitung* made the most of the opportunity, stressing it was doomed from the outset.

"There are those who say that the most important thing about this conference is that it is taking place at all, that poverty and inequality between North and South for the first time provide a theme at the global level. That is worth consid-

ering, but false. Those who argue thus start from the view that governments face the basic problem... of arming the bomb disposal experts of all nations to defend the social bomb. That is, however, not the case."

"Whoever has the courage to demand a change of thought has not enough influence. But whoever has influence in Copenhagen has not sufficient courage to admit the failure of the world in face of social catastrophe and of their own impotence before the enormity of the task."

This is not everybody's cup of tea but a German friend told me he really enjoys reading, and writing, that sort of thing.

If Hegel wrote editorials for the *Guardian* they would be like that, but, in his absence, the British suffer a certain cultural deprivation

because their editorialists restlessly search for the cutting phrase and biting comment. Neither is fashionable in the German media.

The Swiss are different again. There may be those who think Swiss Germans are sort of Germans. The *Neue Zürcher Zeitung* again proves them wrong. Although it is as addicted to telling people how they should behave as any German paper, it does this on the basis of hard fact.

And hard facts appear to prove the Social Development Summit is a waste of time. At least that is the inference one drew from the masterly opening words of its commentary on the event. "Whoever cares about the welfare of mankind and, as a result, examines the scale of political, social and economic development of the past 50 years,

seems to have good reason to look confidently towards the future."

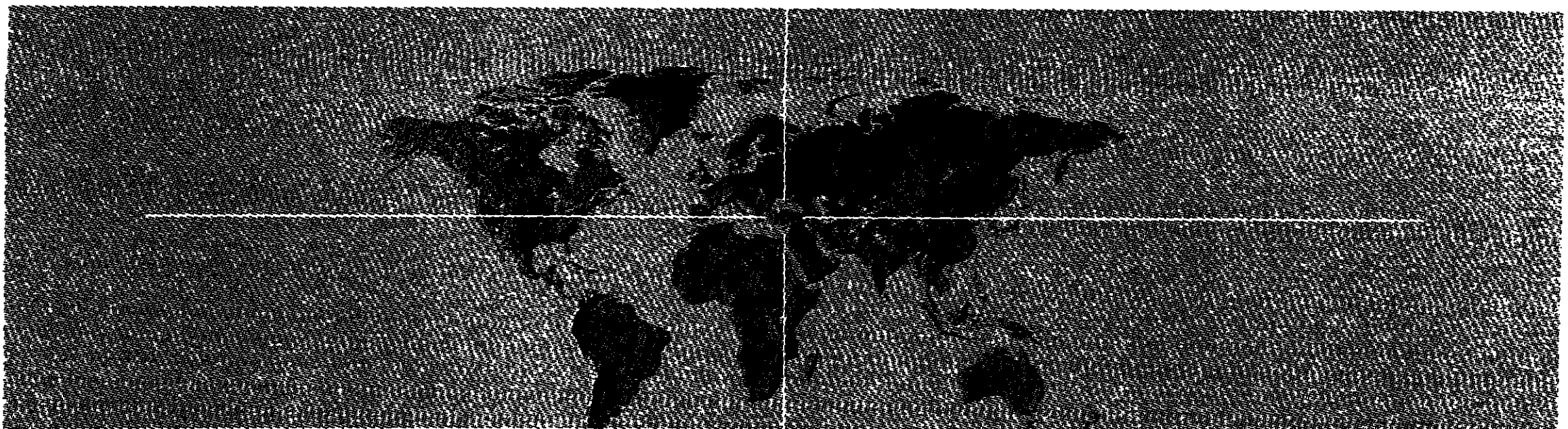
"Most of those countries which lived under the foreign yoke at the end of the second world war have achieved freedom and self-determination."

"General living standards in these five decades have brought about a seven-fold rise in total output and three-fold in income per head... developing countries have moved ahead more rapidly than the industrial countries did in the last century."

So it was that the NZZ put the key phrase of the conference - "social and moral crisis" - in inverted commas. Only then did it admit that certain problems remained. These, of course, were spelt out in detail. (It would be nice to see the day when the NZZ fails to spell something out in detail.)

John Morgan 1:50

Turkey is not the center of the world ...It's just located there.



One look at the map confirms an historical truth: Turkey occupies a crucial place at the junction of Europe and Asia. At the hub of the Mediterranean and the Black Sea. Now, as in the past, Turkey is right at the center of the world's greatest trade routes.

But Turkey has more than geographical access to offer. A nation of plenty, Turkey is home to industry and agriculture, commerce and services. The skilled workforce is highly entrepreneurial in spirit. The ethnically and culturally diverse population of 61 million is young and open to change. Sophisticated telecommunications networks ensure instantaneous connections with the rest of the world. New motorways traverse the country and air links to 84 domestic and international destinations make travelling a snap.

Many of the best known corporate names in the world discovered Turkey's long-term advantages years ago. As a technically-sound partner capable of producing top quality goods and services. As a profitable market of considerable potential. As a center for regional expansion. And as a modern and rewarding place to do business.

So if you are keen to expand your international business, isn't it time you found out what so many already know: Turkey is the key place to be.

TURKEY
THE KEY

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ITALIAN PACKAGING MACHINERY INDUSTRY

The Italian packaging machinery industry: a world leader with growing shares in the market, thanks to its traditional success in satisfying market demands, while providing personalised solutions

THE REASONS OF A LEADERSHIP

Italian packaging machines are in use in over 150 countries, mostly in European markets, the U.S. and Japan, as well as in the newly industrialised countries of Asia. Also of special importance is the use of Italian machines in countries striving to improve their living standards, from the CIS to the other nations of East and Central Europe, as well as China, Latin America and the more developed industrial regions of Africa. Today one out of four packaging machines on the international market is made in Italy.

A successful tradition. The reasons for this success can be traced within its historical and geographical roots. The first businesses were formed in Bologna at the beginning of the 19th century. As true pioneers, the first industries were well ahead of their time in identifying two fundamental demands of the market: the strategic importance of packaging in the market of products of large consumption; and the need to adapt packaging machines to fit the particular requirements of each customer.

Customisation. On the basis of this tradition, the Italian packaging machinery firms offer a complete range of products on the world market. The systems and the machines they plan are tailor-made to fit specific customer needs, using innovative technology and new materials at every level of the production process. Furthermore, the highest levels of service are guaranteed by a continuous and stable contact between producers and customers.

Non-stop research. The major part of the people working in the Italian packaging machinery sector is employed in research, development and maintenance.

They work on two fronts. On one side they develop an increasing number of complete and automated lines. On the other side they create user-friendly machinery which requires less maintenance and can be integrated into the users already-existing production and inspection systems. According to a survey carried out by the Harvard Business School, Italian packaging machinery is an "happy combination of artistry and technology".

Competition and competitiveness. The Italian packaging machinery sector is mainly composed of small and medium sized companies. So competition is very

strong and represents a continuous stimulation for the improvement and innovation in products and services, customer orientation, flexibility and good quality-price ratio. This is the basis for the competitiveness of the sector on the worldwide market. Such a simple and, at the same time, sophisticated structure quickly became a strong success factor when Italian entrepreneurs began to cross over the frontiers. Export has become so important that Italian packaging machinery industry is going to achieve a position of leadership on worldwide market.

The trend of the Italian industry of packaging machinery (value in million U.S. dollars)

	1992	1993	Δ % 93/92
Turnover	1,621	1,824	+ 12.5
Export	1,123	1,494	+ 33.0
Deliveries on the Internal market	498	330	- 33.6
Import	178	203	+ 14.3
Domestic consumption	676	534	- 21.0
Trade balance	945	1,290	+ 36.5
Import / Domestic consumption	26.3	38.1	
Export / Turnover	69.3	81.9	

Source: UCIMA - The Italian Packaging Machinery Manufacturers Association - Economic Studies Bureau

ITALIAN PACKAGING MACHINERY: NON STOP GROWTH.

"We can look at the future very optimistically", said Mr. Giancarlo De Martis, president of UCIMA (the association representing Italian packaging machinery manufacturers).

In 1993 over 300 companies producing packaging machinery in Italy registered a growth in export of 33% compared to the previous year, and the impact of sales on turnover increased from 69.3% to 81.9%.

"While other countries such as Germany, France and Switzerland reported a decrease in terms of turnover - said Mr. De Martis - the Italian packaging machinery industry seems to be launched towards a continuous growth. With no doubt the readjustment of Lira has been helpful, but the most important role in such a success has certainly been played by the pursuit of a policy of high technology and customer satisfaction".

An in-depth look. Export in 1993 represented 81.9% of the total production of Italian packaging machinery and in the same year balance of trade registered over 1.3 billion dollars (about 70.7% of the total turnover).

Obviously the EC is the primary market for Italian packaging machinery export with a share of 39.2% and with a growth rate in 1993 of 20.4% compared to 1992. The German market remains the most important (+13.1%), followed by the U.S., France, UK, and Spain.

Export also increased in the Eastern European market (particularly in Poland and CIS) in Latin America (particularly Mexico, Argentina, Chile and Brazil), China and South East Asia.

A "memorable overtaking" of the competitors was then achieved in Japan where Italian machineries represent 35% of the total of foreign machineries sold there.

A strategic development. The strong position of the Italian packaging machinery industry is now going to be consolidated with an outreach visibility plan that UCIMA (the association representing Italian packaging machinery manufacturers) is implementing.

The core of this plan is the creation of the Italian Packaging Points in Hong Kong and Mexico City (and so, at the gateways to the most strategic markets: the Far East and Latin America).

These "IPPs" will support all the initiatives of Italian packaging industry (i.e. the "Italian Packaging and Process Machinery Exhibition" that will be held in Beijing in March 1995), and, most of all, will manage all the communication to the Far East and Central-Southern America.

"The Far East and Latin America, - declared Mr. De Martis - thanks to the development they achieved in the last years will be the big "chances" for Italian packaging machinery industry".

The Italian manufacturers of packaging machinery have already achieved good results, much more valuable considering the fact that, in many cases, there was no advantage coming from the devaluation of the Lira.

"So, - declared Mr. De Martis, the consolidation of the Italian packaging machinery industry in these "relatively" emerging markets, represents the last frontier to worldwide leadership".

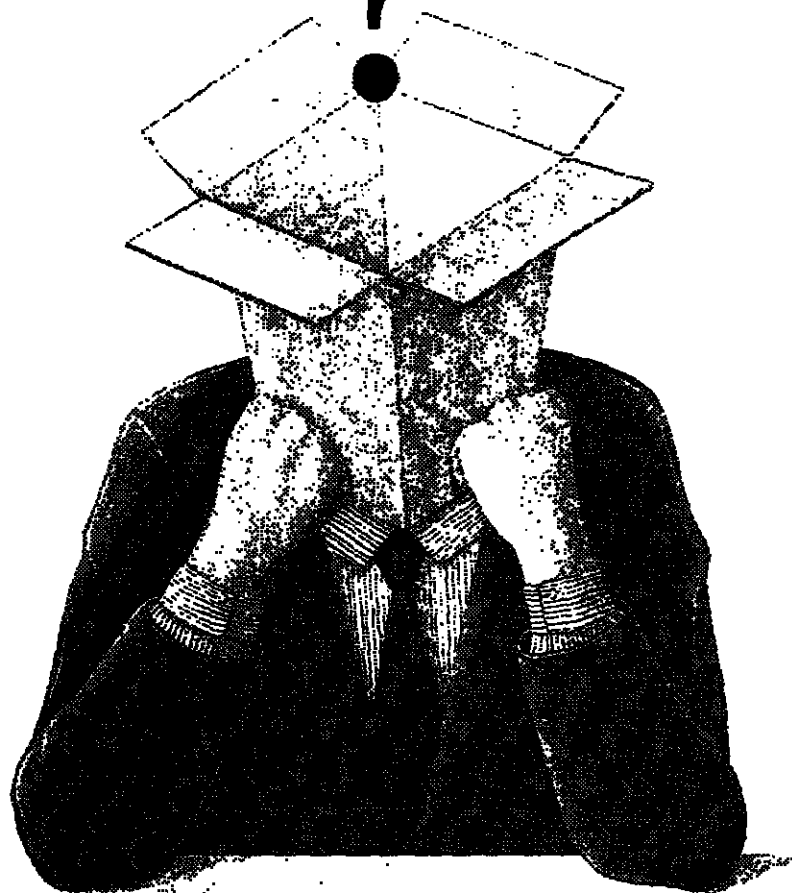
Trade balance with major partners (value in million U.S. dollars)

	Italian Export to:	%	Balance '93
Germany	172	10.30%	97
U.S.A.	160	9.59%	139
France	153	9.17%	136
United Kingdom	127	7.61%	116
Spain	72	4.31%	67
Japan	65	3.89%	59
Switzerland	50	3.00%	20
Netherlands	23	1.38%	10
Austria	18	1.08%	10
Sweden	14	0.84%	2
Other countries	815	48.83%	797
Total	1669	100.00%	1449

Source: UCIMA - The Italian Packaging Machinery Manufacturers Association - Economic Studies Bureau

Visit the Italian Packaging and Process Machinery Exhibition at the China International Exhibition Centre Beijing, 14-18 March 1995

PACKAGING PROBLEMS



CALL ITALY FIRST

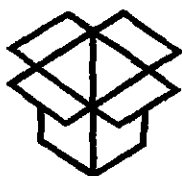
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Ask for free catalogue containing all details of Italian machinery producers to the following addresses:

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Fax (+39/2) 3450647

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Latin American Office
Mexico City
c/o GCI Alonso y Asociados
Lancaster 17 - Col. Juárez - Mexico D.F. 06600
Tel. (+525) 5251640/44 - 5111394
Fax (+525) 2088476 - 5140955

Far East Office
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c/o GCI Hong Kong
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UCIMA - THE ITALIAN PACKAGING MACHINERY MANUFACTURERS' ASSOCIATION

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Weekend Investor

Wall Street

The Dow shows its resilience

Maggie Urry looks at how the stock market has reacted to the fall in the dollar

Wall Street is showing a remarkable resilience to the slide of the dollar. Although stocks were weaker on Tuesday, when the dollar's fall was at its worst, by Thursday the Dow Jones Industrial Average was more or less back to where it started the week. On Friday, when the dollar reversed part of its fall, the index broke through 4,000 once more.

Even the bond market, which takes the currency more seriously than the stock market, has taken relatively little notice of the dollar's fall. The yield on the long bond has risen a bit, but is still around the 7.5 per cent level, almost the low point in recent months.

So, if the market is not going down, perhaps the decline of the currency does not matter too much to Americans. John Lipsky, economist at Salomon Brothers, believes there would have been a crisis only if the Federal Reserve had raised interest rates and the currency still went on falling.

That could still happen. As Alan Greenspan, chairman of the Fed, said when he was talking to the House Budget Committee on Wednesday, the dollar's fall is "unwelcome and troublesome".

That might suggest a continuing fall of the currency could bring about a change of policy.

Although the Fed is usually loathe to increase interest rates in defence of the currency, the dollar's fall does, as Greenspan explained, add "to potential inflation pressures in our economy".

It is "symptomatic of some of the underlying problems confronting the longer-term health of the economy: inadequate national savings, continuing large budget deficits and a persistent current account imbalance," he added. The savings ratio has become a source of concern to investors.

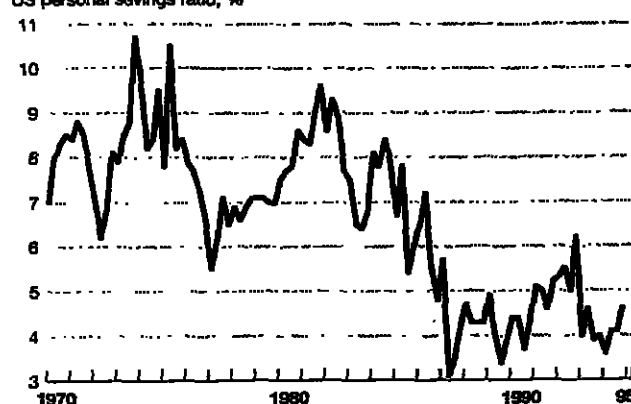
In spite of the stereotypical view of US citizens as heavy savers, through their individual retirement accounts and in the vast mutual funds, the truth is that the savings ratio is low. Many Americans rely on state pensions and the tax system, to some extent, discourages saving.

Pension funds represent a far smaller proportion of GDP than they do in countries like the UK.

As the chart shows, the rate has fallen sharply over the

When Americans saved...

US personal savings ratio, %



Source: FT Graphix

years, particularly in the 1980s when savers became consumers, and borrowed heavily to finance their spending spree. Consumer debt as a percentage of disposable personal income rose sharply in the latter half of the 1980s and into the 1990s, from 65 to over 90 per cent.

If Americans are not saving, and the country persists in running a current account deficit, savings will have to be attracted from abroad.

Ideally foreign investors would like to see the US economy growing at a faster rate than alternative investments if they are to place their money in the US markets. But now the US economy is slowing, so perhaps higher interest rates or the possibility of a currency gain will be needed to attract funds.

In the end though, as Greenspan says, the solution is to increase domestic saving - and that will take some changes in government policy, perhaps through tax measures. Even if Americans begin to increase their savings again it will take some time for the money to accumulate.

Meanwhile, the market may also be held up by investors who are unwilling to take capital gains - and with the market at its all-time high many have big gains - until there is definite news on the expected changes to capital gains tax.

As well as its resilience to the dollar's fall, the stock market seemed to shrug off a February unemployment figure, published yesterday, which was significantly lower at 5.4 per cent, down from 5.7 per cent in January, than economists had been predicting. The

rise in non-farm payrolls of 318,000 was well above expectations of a 239,000 increase.

These numbers suggested that the economy is still growing more strongly than the Fed thinks is consistent with holding down inflation. However, some hope was raised by details culled from the figures.

In the monthly cycle of economic news, the unemployment figure arrives first. Next week the latest figures for retail sales and producer prices, may throw further light on the question of how fast the economy is growing. At the Fed's open market committee on March 28, the question of whether to raise interest rates again will be debated.

The market is hoping rates will not rise, as they did after the last meeting. Since the Fed started tightening in February last year increases have come at alternate meetings.

The question remains whether the market will view a slowing economy so cheerfully when companies begin to report slower profit growth. A hint from Toys "R" Us, the toy retailer, that its usual rate of profits growth would not be achieved this year led to a share price fall on Wednesday. Likewise, Swift Transportation, suffered a 25 per cent drop in its share price the same day, when it said revenues for January and February were below analysts' expectations.

Dow Jones ind average
Monday, 3,997.56 +7.95
Tuesday, 3,962.53 -34.93
Wednesday, 3,970.23 +16.90
Thursday, 3,983.39 +12.16
Friday

London

Regulator's arrow hits power shares

Philip Coggan on shocks in the electricity sector

Fearing by the bad, loved by the good. Robin Hood was reincarnated this week in the person of Professor Stephen Littlechild, the regulator who takes from the regional electricity companies and gives to the hard-pressed consumer.

But if you are a shareholder in the electricity companies, or if you just bought shares in the second tranche of Powergen and National Power, the good Prof must seem more like the Sheriff of Nottingham.

The regulator's announcement on Tuesday that he was considering further tightening of price controls on the industry from April 1 1996 caused havoc. Shares in the electricity sector fell 11.3 per cent on Tuesday alone, with almost all the regional stocks falling by 11 and more.

By the end of the week, the new shares in National Power and Powergen, which only started trading on Monday, dropped below the offer price.

Share shops said they were considering legal action against the government.

The bid battle between Northern Electric and Trafalgar House suddenly became a contest in which neither side seemed to be eager for success.

First, the board of Northern gave up its fight, advising shareholders to accept the £11 a share bid; then Trafalgar House decided yesterday, in the wake of the regulator's comments, that it did not want to pay such a high price. It is hoping to come back with a lower offer of £9.50 per share.

The weakness in the electricity sector sent the FT Mid-250 index, which has a heavy weighting of utility shares, down nearly 67 points on Tuesday, and a further 27 points lower on Wednesday. Wednesday's closing level of 3,300.9 represented the 1995 low.

The FT-SE 100 index dropped below the 3,000 mark on Tuesday before rallying 34.2 points to 3,021.1 yesterday on the back

of US employment statistics, which were taken positively by Wall Street.

Even at its lowest, however, Footsie stayed within the 2,950-3,150 range in which it has been stuck since October. Sterling continued to be weak, with foreign investors particularly nervous about the UK's political stability. Much of the pound's recent weakness has been a reflection of D-Mark strength but yesterday afternoon, the pound fell sharply against the dollar as well.

With share prices falling, the yield on the FT-A All-Share index crept steadily ahead, reaching 4.3 per cent at Thursday's close, its highest level for two years. However, this is still below the 1913-1994 average of 5.1 per cent, according to BZW's Equity-Gilt Study.

The yield ratio, the relationship between the return on long term gilts and equities, had dropped to 2.06 by Thursday night, its lowest level of 1995. Nevertheless, the ratio had still not dropped below 2.



Shares in the electricity sector fell 11.3 per cent on Tuesday alone

the level at which, during the past 25 years or so, shares have appeared to be cheap.

Some analysts argue that a more appropriate yield ratio for a low-inflation era would be around 1.4; after all, prior to 1959, equities actually yielded more than gilts. The inflationary deprecations of the 1970s, in particular, mean that, in recent times, investors have demanded a much higher return from gilts than before.

According to this argument, as investors come to realise that inflation is dormant, yields on equities and gilts will move closer together. If this comes about through a sharp decline in gilt yields, private investors can greet the prospect with relative calm. But if it results from a sudden jump in equity yields (and fall in share prices), the process could be very painful.

Electricity shares were not the only market disaster this week. Investors' perception of security printer De La Rue as a growth stock disappeared rapidly on Tuesday when it warned of a slowdown in earnings growth. In one day, the historic price-earnings ratio on the shares dropped from an above-average 18.7 to a below-average 16.1; the effect of this shift sent the shares down 143p to 888p.

Over the week as a whole, however, the tone of the corporate results season was positive. Such important indicators of economic health as BTR, GKN, Rolls-Royce and Transport Development Group all saw their share prices rise on the day they reported figures; markets also responded well to results from Standard Chartered, RTZ and BAT.

Even a 39 per cent increase in the final dividend and near threefold rise in pre-tax profits from Barclays failed to help the shares, however. The rise in profits was entirely due to a drop in the level of provisions for bad and doubtful debts; operating income actually fell.

Dividend cuts were rare; one exception being T&N, the automotive components and engineering group, which said that the total dividend for 1995 would be just 6p, a 45 per cent reduction from 1994's 10.85p. It was the first dividend cut by the company for 15 years but T&N had been making uncovered payments since 1990. The company blamed the change on the cost of settling asbestos claims.

The four-week average of the dividend index, which is compiled by subtracting cuts from increases and expressing the total as a percentage of all payments, edged up to 65.4 per cent this week, its fifth successive increase.

Finally, to paraphrase David Frost one should stop to say goodbye and good evening to Wellcome which conceded defeat in the \$9bn plus bid from Glaxo, when it became apparent that an offer from a rival suitor (thought to be Zeneca) was not forthcoming.

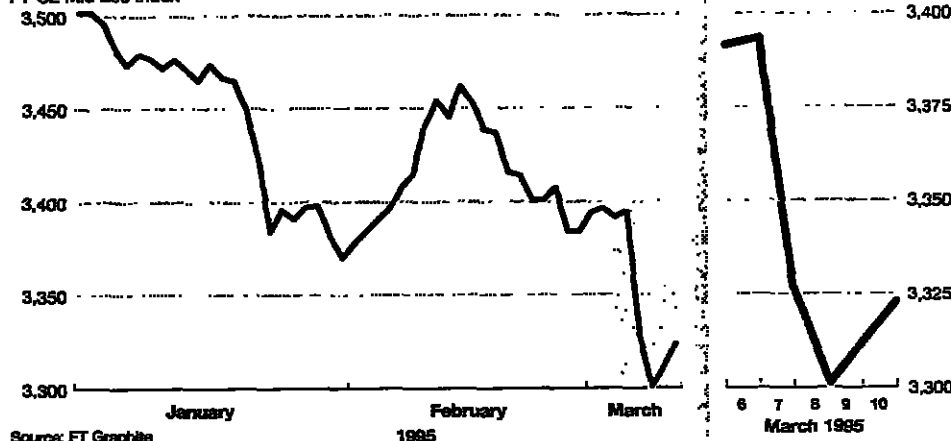
Britain's biggest ever corporate bid may not have triggered the hoped-for stock market revival but at least new takeover battles have emerged to take its place.

French water group Lyonnaise des Eaux announced its intention on Monday to bid for Northumbrian Water.

Now who can guess what water regulator, Ian Byatt might do?

Littlechild, big drop

FT-SE Mid 250 Index



Source: FT Graphix

Highlights of the week

	Price	Change	1994/95	1994/95
	y'day	on week	High	Low
FT-SE 100 Index	3021.1	-4.0	3520.3	2678.6
FT-SE Mid 250 Index	3320.4	-71.0	4182.8	3300.9
Airco Wiggins Apptn	236	-11%	316	219
Cookson	193	-19	279%	185
De La Rue	904	-127	1054	825
GKN	594	+22	660	510%
Inchcape	313	+12	609	288
Lloyds Chemists	214	-70	380	209
Micro Focus	700	-58	1320	688
Northern Electric	808	-248	1138	589
Northumbrian Water	819	+77	890	508
Raine	28	-19	116	28
Stacoosch	215	-23	238	158
Yorkshire Electric	673	-177	909	599
Yorks-Tyne Tees TV	374	-34	428	150



Barry Riley

Devaluation with forked tongue

When words outnumber deeds, currencies weaken by default

You can call them white lies, if you are kind. They are what politicians say about currency exchange rates.

"There will be no devaluation" was a regular Downing Street cry in the late summer of 1992. The week Alan Greenspan of the US Federal Reserve claimed that devaluation of the dollar, which has fallen by 9 per cent against the D-Mark this year, was "unwelcome and troublesome". But the cynical markets believe in deeds, not words; and of deeds there is no sign.

Thus the latest bout of trouble began two weeks ago when Greenspan complacently told Congress that the US economy was slowing and interest rates were near their peak. Given that the US economy is grossly unbalanced and dollars are flooding out into the global economy at a dangerous rate, this was interpreted as implying that further depreciation of the dollar would not be resisted. Unpleasant medicine would not be prescribed.

After all, there is a lack of symmetry in official exchange rate pronouncements which market men have to adjust for. Finance ministers rarely call for their currencies to be marked down - although in a few cases at present, they are doing just that. "The D-Mark is in some aspects a bit overvalued," is the latest hot tip from the Bundesbank boss Hans Tietmeyer.

But such candour is unusual. Devaluation is usually signalled by default. A

strong currency would be nice, but other objectives - low interest rates, economic expansion, a good climate for the re-election of the president - are more important. And the dollar has been recklessly imperilled by a hugely expensive bail-out of Mexico. Indeed, the US has been getting financially and politically closer to Latin America as a whole, and viewed from Europe and Asia there seems to be a clear risk of latinisation. Now that the US is a growing net debtor it has a vested interest in dollar depreciation.

Of course, Americans have long regarded the dollar exchange rate as being a problem for other people, not themselves. A weak dollar feeds only very slowly into higher US inflation, because imports represent only 14 per cent of GDP, and many are priced in even weaker currencies. Therefore, very large swings in the exchange rate against currencies such as the D-Mark can be tolerated.

The political pressures on the US authorities to respond are slight, which is another way of saying that only a truly enormous dollar crisis will trigger a policy reaction. London's Evening Standard tried this week to suggest there was "pandemonium" in the foreign exchange market, but in fact the realignments have been fairly orderly. Certainly there has been no policy response so far.

And by most counts the dollar is currently very cheap. On the basis of purchasing

power parity it is only about half what it should be against the Japanese yen. Yet the US continues to run an enormous trade deficit of more than \$150bn (\$50bn) annually. It is not going to eliminate this gap in the foreseeable future simply by devaluing the dollar, when the US economy is operating close to full capacity. Domestic demand must be sharply reduced for devaluation to work. There have to be structural changes in how the economy is run, involving much higher

The Americans are locked in one distorted posture, the Japanese in another

domestic savings and a reversal of the tendency of the country to accumulate external debt.

Once again the Americans are demonstrating their unwillingness to manage the dollar in a way that will provide a reliable store of value. Internal holders of the US currency are therefore engaged in a periodic urge to diversify risk - into D-Marks, yen and Swiss francs, but not yet into gold.

While the Americans are locked in one distorted posture the Japanese are frozen in another. Japan is sucking in money through a persistent trade surplus of

\$140bn, and its financial institutions are terrified to recycle the flows overseas for fear of exchange losses. An unreconstructed financial system is pretending that the false asset values of the late 1980s will somehow be restored. The Japanese government, meantime, is terrified that the speculative bubble will be recreated if it embarks upon the kind of monetary loosening which might reverse the yen's appreciation.

In Europe, the problem is no longer balance of payments distortions, but debt. Western European governments have been piling up debt at the rate of \$250bn a year and there is now a flight to safety. French short-term interest rates jumped to 9 per cent but the problems are in public spending, where old habits die hard: another \$30bn is to be committed to the banking black hole at Credit Lyonnais.

The Germans are borrowing too much as well, but at least they have got their financing back under control. When bond yields tumbled in 1993, domestic buyers stopped buying and German monetary growth drifted temporarily out of control. But with bond yields rising again during 1994, the Bundesbank regained its grip, so that the German broad money supply has actually been falling during the past few months.

For the weaker currencies in Europe, however, the remaining fig leaves of the exchange rate mechanism have been shrivelling. The advance towards a single

currency looks ever more unrealistic, outside a tiny core around the D-Mark, which no longer seems to include the French franc. But politicians may apply their own peculiar logic: the recent turmoil has not invalidated the single currency, they may say, but has made it more essential. Bringing currencies together is a protracted, bottom-up exercise, however, not a quick, top-down fix. Different countries must harmonise their tax systems, banking systems and levels of indebtedness. That is the hard part, and will take many years. If they succeed, the merging of currencies will follow naturally. It will be the easy bit. Meanwhile, we must continue to listen to finance ministers and central bankers talking with forked tongues.

Mr Graham Ferguson Lacey

Mr Lacey has complained that the reference to him in the paper last week in connection with Arbutnot Latham was entirely misconceived. He bought into the bank as an investment, initially acquiring a 9.9 per cent holding and later increasing this with the permission of the Bank of England, which made no difficulties, to 15 per cent. He intended no more than a strategic investment which in due course he realised. We apologise unreservedly to Mr Lacey.

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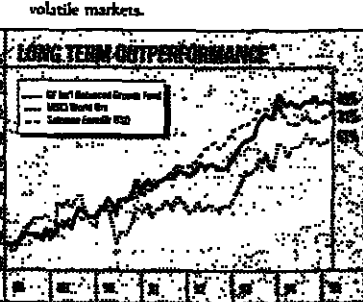
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